FBIS DAILY REPORT

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SANGUINETTI ARRIVES, MET BY ALFONSIN, SARNEY

PY291325 Buenos Aires TELAM in Spanish 1315 GMT 29 Jul 86

[Text] Buenos Aires, 29 Jul (TELAM) -- Uruguayan President Julio Maria Sanguinetti arrived by plane from Uruguay at 1012 [1312 GMT] at the Jorge Newbery Metropolitan Airport.

The Uruguayan chief of state was met by Argentine President Raul Alfonsin and Brazilian President Jose Sarney.

3 Presidents Issue Communique

PY291730 Buenos Aires TELAM in Spanish 1639 GMT 29 Jul 86

[Text] Buenos, Aires, 29 Jul (TELAM) -- The presidents of Argentina, Brazil, and Uruguay today discussed their subregional integration process and signed a joint communique at the end of a meeting held at the Olivos Residence.

The following is the text of the communique:

The presidents of Argentina, Brazil, and Uruguay today met to discuss the subregional integration process.

President Sarney and Alfonsin, accompanied by their closest aides, gave a detailed briefing on the protocols on economic integration that Brazil and Argentina will sign today.

President Sanguinetti expressed his firm support for these initiatives, which he described as highly significant for the future of the subregion and for the whole of the Latin American integration process.

President Sarney and Alfonsin invited their Uruguayan counterpart to discuss with them those procedures whereby Uruguay could join this process, especially on the basis of economic cooperation and integration agreements already signed by Uruguay with Argentina and Brazil.

To this end, the three presidents decided to instruct their respective foreign and economy ministers to hold meetings within the next 90 days in order to implement this decision.

The communique was released at the Olivos Residence at the end of a meeting held from 1050 to 1245.

Sanguinetti Departs

PY300320 Buenos Aires TELAM in Spanish 2324 GMT 29 Jul 86

[Excerpts] Buenos Aires, 29 Jul (TELAM) -- Argentine President Raul Alfonsin this afternoon said it is necessary to build a subregional common market, but he also warned that to boast about the subject would have negative effects.

Alfonsin made these statements to journalists at the metropolitan airport after bidding farewell, with Brazilian President Jose Sarney, to Uruguayan President Julio Maria Sanguinetti. [passage omitted]

The Argentine president said we wanted Sanguinetti to know about our talks and invite him, as we did, to tell us what he thought would be useful or necessary.

Alfonsin said: We have reviewed all subjects, even the international ones, and we once again have had the opportunity to verify the points that the Argentine, Uruguayan, and Brazilian democracies have in common.

ALFONSIN, SARNEY REACH ECONOMIC AGREEMENT

PY291519 Buenos Aires TELAM in Spanish 2314 GMT 28 Jul 86

[Excerpts] Buenos Aires, 28 Jul (TELAM) -- On their 1st day of talks, Argentine President Raul Alfonsin and Brazilian President Jose Sarney today discussed details of the agreements on economic complementary action they will sign tomorrow, including the one giving the initial impulse for the creation of a Latin American economic market.

Sarney, who today began a 3-day official visit to Argentina, tomorrow will hold tripartite talks with Argentine President Raul Alfonsin and Uruguayan President Julio Maria Sanguinetti on integration and cooperation projects involving the three countries. [passage omitted]

After paying tribute to General Jose de San Martin at his monument in Plaza San Martin, Sarney paid a courtesy call on Alfonsin at Government House. During the meeting, the two presidents expressed their satisfaction at the agreements on economic integration they achieved during their first round of talks. [passage omitted]

In a ceremony held in the White Room of Government House, Alfonsin then decorated his Brazilian counterpart with the Grand Collar of the Order of General San Martin. In turn, Sarney decorated Alfonsin with the Grand Collar of the National Order of the Southern Cross.

Later, the two presidents conferred at the Brazilian Embassy, where Sarney feted Alfonsin with a luncheon and toasted Brazilian-Argentine friendship. [passage omitted]

Yesterday afternoon Alfonsin and Sarney met again at the Olivos Residence to hold another round of talks on the 11 agreements they will sign tomorrow at 1900 local time [2200 GMT] in the White Room of Government House. These agreements will include the lifting of customs barriers, trade in grains and capital assets, and cooperation in the area of energy, biotechnology, and informatics. [passage omitted]

Sign Integration Document

PY300046 Buenos Aires TELAM in Spanish 2212 GMT 29 Jul 86

[Text] Buenos Aires, 29 Jul (TELAM) -- Presidents Raul Alfonsin of Argentina and Jose Sarney of Brazil today signed a bilateral economic integration document calling for growth in production, trade, and technological exchange and development projects. The presidents signed the document during a ceremony in the White Hall of Government House in the presence of Brazilian Foreign Minister Roberto Costa de Abreu Sodre and Argentine Foreign Minister Dante Caputo, both of whom signed 12 integration protocols.

As they signed the document, Alfonsin and Sarney noted the need to call on their peoples to jointly try to take the path toward growth and modernization that will allow them to overcome current obstacles and to face the challenges of the 21st century.

The presidents agreed on the need to consolidate democracy as a system of living and government, as well as on the efforts being made by the two governments for stable growth and development.

They said that the creation of a common economic space will open broad opportunities for joint growth and for their people's welfare. This will enhance the autonomous capacity of the two countries. This program constitutes a renewed effort for the integration of Latin America and for the consolidation of regional peace, democracy, safety, and development.

The presidents of Argentina and Brazil have decided to establish an economic cooperation and integration program that will be implemented gradually, subject to annual evaluations, and the negotiation and planning of goals. The plan will be flexible so its objectives, rhythm, and scope can be adjusted. Each stage will include a small group of integrated projects.

The plan calls for technological modernization and more efficient use of resources by the two economies. It also foresees active participation by the business sectors to ensure its effective implementation.

A special executive commission for the program will be formed to hold meetings every 6 months and evaluate the progress of the plan and that of the groups created by the 12 protocols.

This commission will be made up of the Argentine foreign and economy ministers, and the foreign industry and commerce secretary; and the Brazilian foreign, finance, industry and commerce ministers, and the National Security Council secretary general.

It was explained that this commission will be able to increase the number of its members, when necessary, by incorporating other officials to evaluate and propose measures in specific fields.

Alfonsin and Sarney approved 12 protocols to the integration document which will constitute the first stage of the economic cooperation and integration program between Argentina and Brazil.

Protocols on Economic Integration

PY300156 Buenos Aires TELAM in Spanish 2221 GMT 29 Jul 86

[Text] Buenos Aires, 29 Jul (TELAM) -- Argentine President Raul Alfonsin and Brazilian President Jose Sarney today signed 11 protocols for economic integration and cooperation. In general, these protocols refer to programs on capital goods, wheat, food supply, trade expansion, binational enterprises, financial questions, investment funds, energy, biotechnology, economic studies and information, and mutual assistance in cases of nuclear accidents and radiological emergencies.

Protocol 1

The chiefs of state of Argentina and Brazil establish an integrated program of production, trade, and technological development of capital goods. The program includes a variety of capital goods which can be expanded by common agreement between the parties and which will serve as the basis for negotiation of a common list of products that will be treated as domestic products in Argentina and Brazil.

These products will not be subject to customs tariffs or to any kind of nontariff restrictions or impediments, whether administrative or quantitative, nor will they be subject to import fees.

The total trade of those products on the common list will have a ceiling equivalent to $2 billion for the next 4 years, distributed in the following way: The equivalent of $400 million in 1987; the equivalent of $400 million in 1988; the equivalent of $550 million in 1989; and the equivalent of $750 million in 1990.

It is desirable that by the end of 1990, the common list should represent at least 50 percent of the goods on which agreement has been reached. It is estimated that the number of products on the list will be increased every 6 months by a given percentage over the 1987-1990 period.

The protocol establishes that Argentine-Brazilian trade will be in dynamic euilibrium provided the 4-month accumulated surplus is not higher than 10 percent of the value of trade for four 4-month periods (the present one and the next two) [as received] taken together, and calculated on the basis of the annual ceilings for total trade.

Should the imbalance surpass 10 percent, new products chosen from the common list will be included, and an additional financial mechanism between the central banks of the two countries will take effect. If the imbalance surpasses 20 percent, the clause of contribution to the Investment Fund will be activated. Should the imbalance surpass 40 percent, measures compatible with the trade situation in general will be adopted to correct it.

It also determines that the value of components of products on the common list imported from third countries should not exceed 20 percent of the product's export price.

Protocol 2

In order to increase the level of consumption by the population of the two countries in the most effective way, it is decided to establish an integrated project of production, storage, transport, and supply of wheat. Two working groups will be created by 30 September 1986, one to examine and propose a program of gradual harmonizaton of the Argentine and Brazilian economic policies regarding that integrated project, and the other, to identify critical aspects in the system.

The Brazilian Government commits itself to buy and the Argentine Government commits itself to sell the following minimum amounts of wheat during an initial period of 5 years: 1,375,000 tons in 1987; 1,450,000 tons in 1988, 1,550,000 tons in 1989; 1,700,000 tons in 1990; and 2,000,000 ton in 1991.

The class of wheat, price, payment terms, delivery schedule, and points of loading and unloading will be determined by the National Grain Board of Argentina and the Wheat Deliberative Board of Brazil. The Argentine Government will accord Brazil the position of preferential buyer, and the Brazilian Government will accord Argentina the position of preferential supplier.

Protocol 3

This protocol establishes the mechanisms which will pave the way for the total or partial mutual complementation of the domestic food supply in the two countries in case of local production shortfalls.

A working group will be set up to prepare a list of foodstuffs that each country will be able to supply to complement its counterpart's domestic consumption and to propose the mechanisms capable of guaranteeing this complementary supply. This group will be set up before 30 September 1986 and it must submit its first report by 31 December of the same year.

Protocol 4

Argentina and Brazil will conduct economic and commercial talks aimed at promoting gradual and sustained expansion of bilateral trade seeking a broad complementation of each other's production. The expansion of the trade must be attained in a balanced and dynamic manner.

As of 4 August the renegotiation of Partial Accord [AAP] No 1 will begin at the headquarters of ALADI [Latin American Integration Association] in keeping with the terms of reference agreed upon on 10 July 1986. These negotiations must conclude by 31 October 1986 at the latest.

An annex to this protocol sets forth the terms of reference for the renegotiation of this partial accord. The rules and regulations governing the future accord must be the ones approved in May 1984, which will remain in effect for 6 years as far as the new accord is concerned. The renegotiation -- from which the goods included in the common list will be excluded -- will encompass all the goods covered by the AAP, as well as any new ones that the parties agree to include.

Protocol 5

The Argentine and Brazilian Governments agree to create conditions favorable to the establishment of bilateral enterprises. A working group will be set up to draft a statute for binational enterprises. This statute must meet the requirements of national corporations of the two countries willing to go into partnership. This group must be set up by 30 September this year and submit its first report by 30 November 1986.

Protocol 6

In order to improve the cash flow of the compensatory system of the agreement on mutual lines of credit between Argentina and Brazil, and to reduce possible imbalances in the sector of captial goods, the Argentine and Brazilian central banks will streamline the technical and operational terms of this system by establishing a mechanism for reciprocal financing of the negative balances of each 4-month period.

Furthermore the two banks will establish an an additional financial arrangement which will be activated whenever there is an imbalance of the trade in capital goods included in the common list. Stand-by credit lines will be opened to cope with this possibility.

Protocol 7

The Argentine and Brazilian Governments have decided to establish an investment fund to promote growth, especially in the field of capital goods, which in the future will be part of the economic cooperation and integration program. The organizational structure of this investment fund must be ready by 30 November 1986.

The financing of projects aimed at expanding production through medium- and long-term loans will be granted primarily to binational enterprises of national capital.

The investment fund will be able to participate as a minority stockholder in binational enterprises and its initial capital will be equivalent to $200 million. Should trade in capital goods experience an imbalance of over 20 percent of the fund's capital, the two governments will have to contribute equal shares to make up the imbalance.

Protocol 8

In the field of energy, the appropriate authorities of the two countries must complete before 31 December technical studies on the supply of Argentine gas to Brazil. They must determine the possibility of carrying out joint oil exploration and exploitation programs in Argentine territory, and prepare a bilateral technological exchange project in the petroleum field, and increased exchanges of petrochemical products and by-products.

This protocol adds that basic plans for the Garabi Binational Hydroelectric dam must be concluded before the end of the year, that the negotiations for the Pichu-Picun-Leufu Hydroelectric Dam must progress, and that the Latin American Energy Organization [OLADE] be supported and strengthened.

Protocol 9

An Argentine-Brazilian biotechnology center will be created. It will be made up of two knowledge-generating sources, existing investigation centers which will be expanded. A working group will be established to prepare the necessary documents. This working group will ensure that the center will be directed in alternative 2-year terms by an Argentine and then a Brazilian scientist.

Protocol 10

In the field of economic cooperation and integration, an Argentine-Brazilian advanced economic studies center will be created. This center will annually select professionals from the two countries to prepare research projects on the economies of the countries. Each government will contribute $200,000 annually for this project.

Protocol 11

Argentina and Brazil hereby decide to cooperate, through the exchange of technical information, to establish measures and procedures to prevent or mitigate the damage that might result from an eventual nuclear accident or radiation emergency, and to set up a rapid mutual information system in case such an accident or emergency occurs.

Each country can request assistance from the other country in case of a nuclear accident or radiation emergency in its respective territory. Control, coordination, and general supervision of the assistance is to be conducted by the country that requests it.

The National Atomic Energy Commission in Argentina and the National Nuclear Energy Commission in Brazil will be designated as coordinating and executing agencies of Protocol Number 11. These two commissions will establish procedures for the execution of this cooperation program by 30 January 1987.

12th Protocol Signed

PY302328 Buenos Aires TELAM in Spanish 2318 GMT 29 Jul 86

[Text] The text of Protocol 12 on aeronautics cooperation between Argentina and Brazil was just released. By this protocol it was decided to consolidate actions to manufacture parts of Brazilian airplanes in Cordoba.

The presidents of Brazil and Argentina have decided to study and decide on the possible use by their respective air forces of airplanes manufactured by Argentine and Brazilian industries, as part of industrial cooperation integration, which will depend on the peculiar interests of each country.

The two governments have created a joint working group to study and advise the Argentine-Brazilian aerospace industry cooperative under the supervision of the two air forces.

Protocol 12 refers to the agreement between the Argentine Defense Ministry and the Brazilian Aeronautics Company on 17 January 1986.

FISHING AGREEMENT SIGNED BY SOVIET AMBASSADOR

PY292212 Buenos Aires TELAM in Spanish 0031 GMT 29 Jul 86

[Text] Buenos Aires, 28 Jul (TELAM) -- Lucio Reca, the Argentina secretary for agriculture, livestock, and fishing, today signed a fishing agreement with Soviet Ambassador Oleg Kvasov. The agreement will allow the USSR to fish in Argentine territorial waters through joint ventures.

Under Secretary for Fishing Luis Jaimes has reported that the agreement is in line with the Argentine Government's broad policy and with the provisions of the Law of the Sea.

Jaimes said that the agreement outlines the minimum conditions required for its future implementation with a view to preserving and making the best possible distribution of available resources.

In the agreement signed today the USSR has agreed to purchase Argentine fishing products, that is, those caught by Argentine ships and processed by Argentine plants. These purchases will be equivalent to 30 percent of the catch of the Soviet ships. The Argentine Government will establish the fishing quotas annually.

Jaimes added that 10 percent of the crewmen of the Soviet ships will have to be Argentine citizens and that Argentine officials will be in charge of surveillance and control activities in the area.

BRIEFS

DEFENSE PRODUCTION SECRETARY -- Buenos Aires, 11 Jul (TELAM) -- During a simple ceremony Defense Minister Horacio Jaunarena today installed Defense Production Secretary Rainani Barbagna, who is replacing Daniel Larriqueta. [Excerpts] [Buenos Aires TELAM in Spanish 1443 GMT 11 Jul 86 PY]

COMMUNICATIONS SECRETARY -- Buenos Aires, 10 Jul (TELAM) -- Public Works and Services Minister Pedro Trucco today installed Juan Ciminari as communications secretary [Summary] [Buenos Aires TELAM in Spanish 2358 GMT 10 Jul 86 PY]

FOREIGN MINISTER TO MEET CHILEAN COUNTERPART

PY292359 Paris AFP in Spanish 2134 GMT 28 Jul 86

[Excerpt] La Paz, 28 Jul (AFP) -- Bolivian Foreign Minister Guillermo Bedregal and his Chilean counterpart, Jaime del Valle, will meet on 7 August in Bogota, Colombia, Bolivian Foreign Ministry sources reported here today. It has been reported that the meeting will take place on the occasion of Colombian President-elect Virgilio Barco's inauguration, which will be attended by the two foreign ministers. [passage omitted]

CHAPARE PEASANTS ON ALERT AGAINST U.S. TROOPS

PY292355 Paris AFP in Spanish 2241 GMT 29 Jul 86

[Text] La Paz, 29 Jul (AFP) -- Peasants and settlers of Chapare, the main coca-producing region in Bolivia, today declared a general mobilization against the impending actions by Bolivian police forces and U.S. troops against local drug-traffickers. Peasant workers of this tropical region in central Bolivia have stated that they have been notified that the Leopards, an elite branch of the Bolivian police, backed up by U.S. troops and helicopters, are about to launch an operation in Chapare. Leaders Julio Rocha and Alberto Vargas reported that the instructions issued to the thousands of members of our association are secret and will be implemented as soon as the U.S. troops are sighted.

Meanwhile, the Federation of Cochabamba Peasants held a congress at which it agreed to reject categorically the presence of foreign troops in Bolivia and to state its opposition to the attempt to eradicate coca cultivation. Since 14 July, some 170 U.S. soldiers backed by helicopters, planes, modern communications equipment and weaponry have been carrying out operations against drug traffickers in northeastern Bolivia. Their objective is to break up cocaine production and trafficking.

MINEWORKERS BEGIN GENERAL STRIKE 28 JULY

PY300110 Paris AFP in Spanish 1522 GMT 28 Jul 86

[Text] La Paz, 28 Jul (AFP) -- The general, indefinite strike decreed by the Mineworkers Federation to demand the rehabilitation of the Mining Corporation of Bolivia (Comibol) began today, according to federation leaders in La Paz. Last week, the Mineworkers Federation presented to President Victor Paz Estenssoro a rehabilitation plan for Comibol. Mines Minister Jaime Villalobos considered the plan to be unrealistic.

In the opinion of the workers, the closure of the mines will mean certain death for important cities like Oruro and Potosi, where the civic committees have joined the protest. The Mineworkers Federation maintains that the government, which favors private enterprise, intends to return the nationalized mines to private national and foreign ownership. With that purpose, the mineworkers' leader Simon Reyes said, the government has stopped sending tools and food to the mining camps, and the situation has become so serious that hundreds of children are in grave danger of starving to death.

MILITARY COURT JUDGE ACCEPTS TORCHING CASE

PY291328 Santiago Radio Chilena in Spanish 2300 GMT 28 Jul 86

[Excerpt] Santiago Military Judge Brigadier Samuel Rojas has ruled that the case of burned youths Rodrigo Rojas de Negri and Carmen Gloria Quintana falls within his jurisdiction.

At the same time it was announced that Colonel Alberto Marques has been appointed ad hoc legal adviser to continue the investigations involving the torching case. [passage omitted]

BISHOPS CLAIM TO HAVE VIDEOTAPE OF BURNING

PY292101 Santiago Radio Chilena in Spanish 1700 GMT 29 Jul 86

[Text] Chilean bishops have seen a videotape of the burning of Rodrigo Rojas de Negri and Carmen Gloria Quintana. This was announced by Punta Arenas Bishop Tomas Gonzalez. We are in contact now with reporter Rodrigo Araya in Punta Arenas. Come in Araya.

[Begin relay] [Araya] Good afternoon. The people of Punta Arenas are still stunned by the cruel treatment of Rodrigo Rojas de Negri and Carmen Gloria Quintana, who were intentionally burned by persons who, according to eyewitnesses, wore military uniforms. Several expressions of solidarity have been extended to this city to Carmen Gloria and to relatives of Rodrigo Rojas, who died 3 days after the incident. The ruling by Judge Echavarria who was investigating the case has also shocked the people here. As is known, the judge decided to free 24 military men who were involved in this event. He only indicted one lieutenant, who actively participated in the burning of the two youths.

Punta Arenas Bishop Monsignor Tomas Gonzalez has reacted strongly to this unfortunate episode. The day after Judge Echavarria's decision, the bishop sent him an open telegram asking him to reconsider, because justice is more necessary today than ever to prevent violence. Not satisfied with this, the bishop released more details of the horrible intentional burning of these two youths. Let us hear what Bishop Gonzalez has to say.

[Gonzalez] During the episcopal conference we were visited by eyewitnesses. We even had the opportunity to watch a videotape of the incident. I do not know how it was recorded, but we saw the persons involved. This of course made a very bad impresion. [Words indistinct] and how the investigations have taken a different course.

[Araya] According to what the bishop said, all Chilean bishops who met during the past two weekends in Santiago on the occasion of the latest special episcopal conference had the opportunity to watch the videotape. We know who the culprits are, and for this reason we have no fear of telling the truth. We want the truth to prevail, and we will raise our voices to achieve this, the bishop stated. He once again expressed his indignation about this event. This is Rodrigo Araya speaking from Radio President Ibanez Press Hall in Punta Arenas. Good afternoon. [end relay]

Good afternoon Rodrigo. This shocking news that was learned only today in Santiago was published on 27 July by the newspaper EL SUR of Concepcion. I will read it for you. On page 6, the headline reads: Punta Arenas Bishop: We Saw a Videotape of How Youths Were Burned; Punta Arenas, special for EL SUR of Concepcion. Remarks by Diocesan Bishop Msgr Tomas Gonzalez have caused shock in this southern city.

He said that all bishops who participated in the recent national episcopal conference saw a complete video recording showing the two youths, Rodrigo Rojas de Negri and Carmen Gloria Quintana, being burned. The first person died. The report published by the newspaper EL SUR on 27 July adds: According to a report published by LA PRENSA AUSTRAL of Punta Arenas, Msgr Gonzalez stated that all Chilean bishops are perfectly aware of what happened in the burning case, because they have first-hand information of the unfortunate episode, which as shocked national and international public opinion.

The bishop added that during the special episcopal conference the Chilean bishops had the opportunity to listen to dramatic reports by persons who witnessed the arrest and subsequent burning of the two youths. The bishop added that in addition to the reports given by eyewitnesses, the group also had the opportunity to watch a videotape showing these events. He said that he cannot reveal how this videotape was recorded, but that on it they could clearly see the persons who conducted the burning. This of course has given us a very bad impression, and I think that, as it has been reported to the appropriate authorities, this has also changed the manner of conducting the investigations, Bishop Gonzalez added.

We have eyewitnesses, who belong to the parish located a few steps away from where the incident took place. He concluded by saying that the judge hearing the case now has in his hands the tape, on which the incident can be seen very clearly. This is the report published on 27 July by the newspaper EL SUR on Concepcion, and which was read for you by Punta Arenas Bishop Tomas Gonzalez.

Allegedly Shown on Television

PY300309 Santiago Radio Chilena in Spanish 2300 GMT 29 Jul 86

[Relay from Punta Arenas by Rodrigo Araya]

[Excerpts] Punta Arenas Bishop Tomas Gonzalez admitted that he is aware of the existence of a videotape showing the incident that resulted in the death of youth Rodrigo Rojas de Negri and serious burns sustained by Carmen Gloria Quintana. A communique issued this afternoon by the Communications Department of the Punta Arenas Bishopric states that Bishop Tomas Gonzalez is aware of the existence of this tape.

Moreover, it is added that the bishopric's Pastoral Commission on Human Rights was informed that this videotape was broadcast during a newscast of an Argentine television channel. [passage omitted]

We reiterate that the Punta Arenas bishop admitted he was aware of a videotape showing Rodrigo Rojas de Negri, who is now dead, and Carmen Gloria Quintana being set on fire and that this tape was allegedly shown during a television newscast in a southern Argentine town.

Episcopate Denies Video's Existence

PY300315 Madrid EFE in Spanish 0036 GMT 30 Jul 86

[Excerpt] Santiago, 30 Jul (EF) -- Sources of the Chilean Episcopate today denied the existence of a videotape showning youths Rodrigo Rojas and Carmen Gloria Quintana being burned on 2 July.

The sources consulted by EFE stated that the Punta Arenas Archbishopric is preparing an official denial to clear up a misinterpretation by the newspaper EL SUR of Concepcion and the Catholic Radio "Chilena" station of Santiago of statements by Punta Arenas Bishop Tomas Gonzalez. [passage omitted]

FOREIGN MINISTER CRITICIZES U.S. LAWYER'S VISIT

PY291352 Santiago Radio Chilena in Spanish 1700 GMT 28 Jul 86

[Relay from the Foreign Ministry by reporter Jose Francisco Contreras]

[Text] Chilean Foreign Minister Jaime del Valle has described the visit to Chile by U.S. Republican Party lawyer Bruce Rabb to observe the legal process of the case of the torched students in Santiago as inappropriate. Del Valle said that Rabb's mission in Chile is inappropriate and that it shows how U.S. diplomacy is incongruous with that of Chile. Regarding a rumored Cabinet change that would affect, among others, the foreign minister, Jaime del Valle denied it.

[Begin Del Valle recording] No, not as far as I know. I have been asked the same thing many times. My resignation has not been requested, and I have not presented it, but you journalists will make me resign soon. [end recording]

Regarding news agency reports of U.S. Government spokesman saying that the U.S. Government will forbid the international banks to grant loans to Chile, Del Valle said he was optimistic. He said he believes that it would not be a good decision because the United States knows very well that such a measure would not harm the Chilean Government, but would harm the Chilean people instead. We trust, he said, that the U.S. Government understands that this sort of measure is absolutely unrealistic and that it will only benefit Marxism and those who want to hinder our government's effort to practice full democracy.

Foreign Minister Del Valle concluded by saying that the manner in which the United States is expressing its concern for human rights in Chile is not the most appropriate. Minister Del Valle made these comments after meeting with President Pinochet in La Moneda Palace to brief him on a meeting he recently held with 15 Chilean ambassadors appointed to foreign capitals and to international organizations.

Merino Comments

PY300343 Santiago Domestic Service in Spanish 2300 GMT 29 Jul 86

[Excerpts] Navy Commander Admiral Jose Toribio Merino, at Government House, has rejected the criticism of a judge. Merino said that those who criticize the performance of the judge appointed to hear the case of the burned youths are insolent and audacious. The Navy commander made these comments after an regular Government Junta session during which four important bills were approved. [passage ommitted]

Adm Merino was also asked about the arrival in the country of a U.S. lawyer. He said: We have nothing to hide from the world, and if anyone is interested in learning how things are done he is welcome to come to Chile, unless he is a terrorist.

Referring again to this issue he said he thought that the foreign official's presence does not represent intervention in our domestic affairs. [passage omitted]

POLICE TAKE ANALISIS MAGAZINE OFF NEWSSTANDS

PY292248 Paris AFP in Spanish 1802 GMT 29 Jul 86

[Text] Santiago, 29 Jul (AFP) -- Executives of ANALISIS magazine have reported that Chilean police have taken off the newsstands today's edition of the opposition magazine ANALISIS, which on its front page carries the headline: Pinochet Alone. The report under this headline refers to the gradual desertion by supporters of General Augusto Pinochet's government.

The confiscation took place following Judge Leonel Beraud's decision to order the arrest of reporter Juan Pablo Cardenas, director of the leftist weekly magazine, who was accused of slandering the chief of state in several articles.

The charges against Cardenas and 29 other reporters and contributors to ANALISIS were brought by the military government and based on provisions of the state internal security law.

Cardenas has not yet been detained, despite the judge's ruling.

ANALISIS Deputy Director Maria Olivia Monckeberg has confirmed that copies of this Tuesday's edition were taken off the newsstands, but added that she does not know who ordered this new action.

She added that apparently it is an administrative punishment and part of the persecution being conducted by the government seeking to close down our magazine.

Judge Indicts Director

PY291513 Santiago Domestic Service in Spanish 2300 GMT 28 Jul 86

[Text] Juan Pablo Cardenas, director of ANALISIS magazine, has been indicted for allegedly insulting the president of the republic. The decision was passed down by Santiago Appellate Court Judge Leonel Beraud, who was notified of the Interior Ministry charges regarding the alleged violation of the state security law.

The ministry's charges involve 29 persons linked to ANALISIS, including journalists, commentators, and interviewers.

The judge has questioned the 29 accused individuals separately, and his decision to indict Juan Pablo Cardenas is the first one passed down. Cardenas is charged with violating Article 6, Clause B, of Law 12,927, which punishes those who insult the chief of state.

Based on the above indictment, the judge will order the arrest of Juan Pablo Cardenas.

PCCH LEADERS HOLD PRESS CONFERENCE

For Moscow coverage of a four-part "clandestine press conference" granted by members of the PCCh's leadership to journalists of the AP and UPI news agencies, the Buenos Aires newspaper CLARIN, THE BBC, and THE GUARDIAN newspaper of London, see the Latin America & Caribbean section of the 24 July Soviet Union DAILY REPORT and subsequent issues.

RAMIREZ OCAMPO ON U.S., FSLN 'ATTITUDES'

PA281907 Hamburg DPA in Spanish 2009 GMT 27 Jul 86

[Text] Bogota, 27 Jul (DPA) -- Foreign Minister Augusto Ramirez Ocampo criticized the attitudes of the United States and Nicaragua within the political context of Central America, saying that many forces are conspiring against peace in that region.

Ramirez Ocampo has played an intense role in the Contadora Group -- formed by Colombia, Venezuela, Mexico, and Panama -- which has tried to seek peaceful solutions and stability in Central America. He said: "We do not want any type of support for subversive, irregular, or terrrorist forces in that area, which, in our view, is vital to peace."

The minister said: "While the United States continues to support the contras (opposed to the Sandinist Government of Nicaragua) in Central America, in a manner that obviously goes against international law and against the principle of nonintervention, and while some countries cooperate, for example, with the revolution in El Salvador or other nations, there can be no peace."

Ramirez Ocampo added: "The same goes for the repression of freedom in Nicaragua, as in the case of the newspaper LA PRENSA, and the expulsion of bishops such as Msgr Vega. The Nicaraguan Government also refuses to allow Father Bismarck Carballo to enter the country and obstructs the work of civilian leaders presently constitutionally opposed to the regime.

Ramirez Ocampo's statements were published today by liberal newspaper EL ESPECTADOR. He said that he does not believe the Contadora Group, backed by the Support Group -- Argentina, Brazil, Peru, and Uruguay -- has failed because the peace document has not been signed. Ramirez Ocampo pointed out that Contadora has reclaimed the validity of international law, has attracted the awareness of all Latin America, and has opened prospects not only regarding peace in Central America, "but for many other initiatives enormously important to the Latin American community."

After commenting that the Contadora Group will try to ensure that the Central American conflict does not turn into a direct confrontation between the powers, Ramirez Ocampo regretted and criticized the open U.S. support of the military opponents of the Nicaraguan Sandinists.

"International law has been devalued, at least in this case," he added, commenting that the Contadora Group and the Support Group have never lacked sincerity in expressing their points of view to the world.

Ramirez stressed: "I believe that perhaps the only thing we cannot be criticized for is a lack of clarity. Few times has the language (in the document of objectives as well as in the Contadora document) been used in a more correct manner."

On 7 August the Colombian Government will turn power over to the government that will be headed by Liberal Engineer Virgilio Barco Vargas, a former ambassador to the United States who is married to an American woman.

GARCIA ANNIVERSARY ADDRESS TO NATION

PY282132 Lima Domestic Service in Spanish 1726 GMT 28 Jul 86

[Address to the nation by President Alan Garcia Perez on the occasion of Independence Day and the first anniversary of his inauguration, before a joint session of Congress in Lima -- live]

[Excerpts] Mr President of Congress, Messrs Legislators: A year ago I outlined for you the policies of the new government, which we presented as a nationalist, democratic, and popular government. Today, 12 months later, in compliance with the Constitution, I am reporting to Congress to describe what has been achieved, the objectives that were fulfilled, and what the government plans to do in the future. I am addressing the representatives of the people with truth, which is the soundest reason, without arrogance, and with a humble attitude.

I will begin by saying that even though we have done something, there is still a lot to be done, that a lot more could have been done, and that if the government had taken stronger action and if it had demanded stronger support from the nation and its institutions, we would have had better results.

Yet we should admit that the task of reactivating the economy and reorienting our history is a gradual process that will be marked by setbacks and successes, which should neither exhaust our patience nor disappoint our spirit.

Therefore, today I am reporting to Congress to confirm the objectives of the government, which we will maintain despite the great economic and structural limitations that affect us, and despite the regressive influence of force and violence.

We intended and we still intend to overcome the crisis and improve the standard of living of our people, who have been hit by inflation, devaluation, and economic stagnation. We intended and we still intend to strengthen our independence by strengthening our historic, economic, and political autonomy. We intended and we still intend to improve the administration of justice by improving the distribution of wealth and by giving the people more decisionmaking power. We intended and we still intend to strengthen freedom, which is not a bourgeois delusion but an achievement for the spirit. We intended and we still intend to improve the moral standards of society by eradicating the idea that the state is something by which to profit and that social life is a way to promote selfishness.

We have achieved something in all these fields over the past 12 months, although not everything we wanted or everything we could have achieved, because we made several mistakes and omitted several things. Therefore, despite the progress we made and despite the people's generous support, we do not have an overly triumphant attitude.

No one can be overly optimistic at the end of the 1st year of a 5-year term, unless he is arrogant. Yet no one can be overly pessimistic unless he is mean. The real assessment will be made later. Today we must reflect carefully.

Mr President: I would like to divide this message into four parts. First, I would like to report on the achievements in the work for the great national objectives. Second, I would like to explain to the country the scope of the situation we are experiencing. Third, I would like to reflect on the possibilities that we have for the future and, fourth, give a detailed explanation of the work done by each sector and of what we suggest for the immediate future.

I am using this approach because I believe that the annual address by the president, in his capacity as the representative of the people, should help the nation reflect and should strengthen the people's will, so that we might all unite behind the same objectives. I believe that politics involves the art of teaching, because it must awaken the people's awareness. Nothing can persist without the people's awareness, because everything would be temporary. With the people's awareness, even the most difficult problems can be understood as phases leading to a better future.

Therefore, this address will not be a set of promises and hopes as it was 12 months ago, but rather a long reflection I would like all of you to share with me. I know many Peruvians like me, but now I need their reasoning.

This was a difficult year. Its restrictions and problems were overshadowed by the expectations, by the people's generosity, and by the fact that there was a new government putting forward its proposals. Yet, Mr President, this was a very difficult year, just as the years to come will be.

The almost complete restriction on foreign credit, the bureaucratization and sluggishness of the state organization, the passiveness of great sectors of the population, the high inflation rate, the devaluation, and the paralysis of our economy were the negative factors we were facing in addition to violence and lack of authority. During these past 12 months, however, we have made progress in the socioeconomic field, and what is more important, we have awakened the people's awareness. Faced with a chaotic situation in which prices increased at a higher rate than wages, in which lack of production and deterioration of our currency regarding the dollar demanded urgent measures, we had to start by regaining control over our economy and stabilizing the situation before proposing more far-reaching measures. However, to gain control over our economy in the first place, we needed to disengage from the vicious circle in which foreign theories and influences conditioned Peru's economic sovereignty. We needed to strengthen our anti-imperialist stance. We were aware that inflation could not be curbed and the country reactivated without changing Peru's relationship with the international economic circles because the economic chaos in which we lived a year ago was caused by the fact that our country was a satellite of international interests. Therefore, we decided to implement a nationalist government to confront this problem and to be able to implement a different economic policy that was not dictated to us from abroad. For this reason, the government adopted a radical decision regarding the foreign debt problem and restricted the import of foreign goods as a means to defend the national industry. A year ago, speaking before this Congress, and later before the Argentine and Uruguayan Congresses and other international organizations, I explained why the Peruvian Government had decided to restrict payment of its foreign debt. I said that the low prices paid for our raw materials, the incredible prices the rich countries charge us for machinery and technology, and the profiteering interest rates they demand were the cause of our $12-billion public debt. I said that to accept that would compel us to pay more than $5 billion in 1986, when our export revenues only amounted to $3 billion. Moreover, I recalled that during the past few years we were granted new loans to meet our former debts but to grant Peru these new loans Peru was forced to comply with a series of conditions and an economic theory that impoverished our country even more. This theory imposed by the IMF as a condition for granting us further loans, forced the opening of our economy to foreign goods, prompted the devaluation of our currency, and made internal credit interest rates rise. It reduced public expenditures, and demanded the punctual payment of the foreign debt. In other words, the IMF theory demanded reducing growth and consumption to meet commitments to the international banking sector. We also noted that in the past 10 years, this biased policy had destroyed the economy of many Latin American countries.

In view of this situation, the government made a historic decision that has been recognized by several countries of the world. The foreign debt cannot be honored by sacrificing the people. New loans cannot be requested to cover former debts. One cannot surrender economic sovereignty and allow others to decide what to do with our economy. If each time we are paid less for our oil, our copper, our work, how do they expect us to obsequiously pay our debt under the terms they demand?

Peru has set a rule: We are paid so much for our work, we are paid so much for our exports, therefore, we will pay so much of our debt, but without sacrificing our development and consumption. [applause]

We audaciously set a limit of 10 percent of export revenues on our payments. In this way an important portion of the budget that would have been destined for debt payment is now being used to support agriculture, to improve salaries, to undertake projects. Thus, Peru, which was obligated to pay $2.2 billion for its medium- and long-term public debt over the August 1985-July 1986 period, limited that payment to $350 million, which was broken down in the following way: $28 million was paid to commercial banks; $34 million to governments, $69 million, to the IMF; $166 million to the World Bank and the IDB; and $19 million for food and credits. This decision allowed us to increase by $370 million our foreign reserves, and thus to consolidate the stability of our currency, which was spared the severe devaluations that occurred in other countries this year. In view of the speculative rumors and maneuvers that are rampant these days, I must note here that the government will maintain the official exchange rate during the current year, as it promised it would in January. There will be no devaluations, but, on the contrary, considering the situation of 63,000 holders of small savings accounts of less than $1,000, the government has decided to unfreeze their deposits, making available to them their savings in foreign currency. The government did so in recognition of their confidence. [applause]

On this question of the foreign debt, to limit the amount of payment is not the most important aspect, which is that such a limitation made it possible to obviate the need to ask the IMF for new loans. Consequently, we did not have to sign agreements or letters of intent with the IMF, which amount to documents of colonial concessions, which would have surrendered to that organization the administration of our economy. This made it possible to implement an independent and nationalistic economic policy, and this is the most important aspect of the Peruvian decision. We thus implemented a policy of nondevaluation, reduction of inflation, lowering interest on credits, limitation of imports, and stimulation of the state's social expenditures. This policy would not have been possible if we had not made the political decision to limit foreign payments and to discard the liberal and imperialistic economic theory of the IMF.

As a result of that decision we can exhibit the following achievement: on 28 July 1985, the annual price increase or inflation rate was 250 percent, and it was reduced to less than 70 percent over the first 12 months of this government, thanks to the decision to suspend the devaluation of our currency for 18 months. We all know that when the price of the dollar rises, we have to pay more for the products we buy abroad in dollars. We also remember that in recent years, it was more convenient to save in dollars or to hold dollars, because the decline of the value of the Peruvian sol against the dollar was very steep. Every day, the Peruvian currency was losing ground before the U.S. dollar. Rents were paid in dollars, economic transactions and accounts were stipulated in dollars.

In July 1985 only 38 percent of all the economic activities were conducted in Peruvian currency. Twelve months after we initiated the dedollarization of the economy, 81 percent, not 38 percent, of the economic activities are conducted in national currency. [applause]

This, gentlemen, is a key question: What kind of independence can a country have irrespective of its history, its anthem, and its flag, if its entire economy and its social life is controlled by a foreign currency, as is the case with the U.S. dollar? Thus, taking the economy off the dollar standard is a clearly anti-imperialist measure.

Inflation, however, has also declined because of the reduction of interest rates which constitute the price of money. In the past, interest rates were as high as 300 percent per year. For agricultural loans the current interest rate was 180 percent; today it is 40 percent. For mountain areas, the interest rate was 106 percent; today it is 14 percent. In the 81 poorest Peruvian provinces the interest rate was 81 percent; now it is zero. This means that in those provinces we do not charge the peasants any interest rate so as to promote development.

In the third place, inflation has been going down due to the joint national effort to control prices. This effort was made jointly by government, the municipalities, and all social organizations because in this way we could prevent speculation and abuses. Although control has been weakening over these last few months its effects are still being felt because, as we said before, our inflation rate is only a third of what it used to be.

In the case of certain large enterprises, the price control helped us to lower the prices of noodles, flour, and oil -- so necessary for the people at large -- below the level of July 1985 because as soon as we took over the government we managed to obtain price reductions that are still in effect today.

The same thing happened with the bread that costs 250 soles per unit; the same price it cost 12 months ago. I would like to remind the skeptics that in 1980 bread cost 3 soles per unit and in 1985 its price had risen to 250 soles. This means that in 5 years the price of bread increased 80 times. Today, we are supplying the people with bread at the same price at which it was being sold 12 months ago, when we took over. [applause] [passage omitted]

Messrs Legislators:

I have made this review to note that the political decision regarding the payment of the foreign debt has allowed us to enforce an economic policy that better suits the needs of the people and the national development. Therefore, I hereby announce that we shall continue to uphold this decision and that in the next 12 months, we shall only allot 10 percent of our export revenues to the payment of the foreign debt.

The revenue situation of a year ago remains unchanged. In fact, it has deteriorated in view of the decrease in prices for oil and other products. This is why Peru will receive almost $500 million less for its exports.

Peru will have less income. This situation has turned the currency reserve into a strategic national resource. Consequently, we must add that our intention to use 10 percent of our export revenues for the payment of the foreign debt will be made on the condition that those resources used to pay our foreign debt are matched by a similar inflow of credits.

Gentlemen, it would be suicidal to become exporters of net capital if no new credits come in and the prices of our raw materials continue to fall. [applause]

I must acknowledge that friendly countries have been granting us cooperation loans at low interest rates and long terms of payment. Payments to them must be given priority. There are also international organizations whose disbursements or new loans to Peru surpass the payments received from our country. They too will be granted priority.

I hereby announce our decision and willingness to negotiate with creditor governments and banks. However, I warn that Peru can accept neither the present terms nor interest rates that have been established. We shall hold a dialogue but based on conditions regarding interest rates, terms, and years of nonpayment within the framework of our decision to pay 10 percent of our export revenues. [prolonged applause]

Two major decisions should be added to the foreign debt issue. In the first place, the government has decided to limit the payment of the foreign debts contracted by private individuals and enterprises with foreign banks and suppliers, the payment of which has caused millions of dollars to leave the country during the past 12 months, often in an unjustified manner. This situation cannot continue because, as I have already stated, the foreign currencies represent for our country a strategic resource the state must safeguard. The state has decided to limit payment of the private foreign debt. But I must add that, in view of this decision, the government will have to guarantee the resources for investments or projects currently under way, which are necessary for national development. In the second place, the government has decided to restrict for 2 years the remittances of dollars by foreign companies as profits, depreciation, or private debt. [applause]

We welcome and defend foreign investments in our country, but we are also aware that every national or foreign enterprise must share the situation which the country faces because, during the past 12 months, while the government limited the payment of its public debt to $300 million, no less than $1 billion left the country to cover private debts of Peruvian companies and as profits of foreign entgerprises. Therefore, it is only appropriate for the government, in controlling the economy, to limit the flow of money that leaves the country weakening our country's strategic resources, that is, the reserves. These two measures are not taken with a statist and bureaucratic purpose that will cancel or affect private property. These two measures are taken to safeguard the nation's interests in a difficult time. They entail neither expropriation nor confiscation. They are a limitation so that resources generated within the country may be kept in the country and used by their owners in productive investments, which the country requires in these difficult times. [applause]

Messrs Representatives: This first sovereign and nationalistic conception of the government has also allowed us to start the democratization of the society and the state apparatus. We stated 12 months ago that democracy is not only the representative nature of the government or basic liberties as a whole. It is much more. Democracy should be a social and economic model capable of solving social injustice and the differences in regional development, and safeguarding the participation of all citizens. To us the reactivation of our economy and the curbing of inflation represent deeply democratic measures only if they are complemented by a fairer distribution of wealth. The greater the inflation, the greater the concentration of wealth among a few persons.

The liberal theory that was implemented in the past maintained that if the peoples' income is limited there is less demand and, as a consequence, the price of goods will drop because of lack of demand.

We believe that this is an inhuman theory, and we maintain that the greater the purchasing power, the greater the production of the sectors that used to be idle, and as a consequence prices will not increase.

Therefore, our appeal to industrialists has been to tell them that it is not a matter of producing little and charging a high price for each product but rather of producing more products and chargine less for them. However, the government also believes that democracy is a process of a progressive redistribution that should not be hasty or imprudent, thus causing greater economic problems.

Our tax program has substantively reduced sales taxes from 11 to 6 percent and has avoided increasing fuel prices because these two are indirect taxes that tax the rich and the poor equally and, as a consequence, are unjust. In keeping with our principle of making those who have or who earn most pay the most, we have reorganized the tax exemption regulations through which a sizable quantity of resources was lost. Moreover, price controls in many cases prevented speculation or fear from affecting prices. These are measures designed to bring about redistribution, and we will continue to carry them out. [passage omitted] The nationalist and popular government is facing two urgent problems: subversive violence and the limitations stemming from our economic structure. I ask the nation to reflect on these two problems with me.

Twelve months ago, cruel violence ravaged the mountains. Inspired by violent terrorist ideas, armed groups seized and subdued peasant towns, taking advantage of their poverty. This dramatic situation claimed thousands of lives on both sides. Many excesses were committed during the repressive actions, because of the anonymous character of terrorism. We proposed an emergency policy for the poorer areas, the budgetary allocations of which we doubled. For example, in 1985 the Ayacucho Corporation was allocated 143 billion soles. We raised that figure to 362 billion soles, which was a 154-percent increase plus the additional emergency funds it has received.

Microregions were organized in the poorer provinces to allow the state to render its services in the agriculture, housing, and health sectors. Aid programs were designed to help peasant communities. The state established direct links to the towns that have remained historically neglected and that could become the easy prey of subversion.

We also said that the law was to be enforced to the fullest, because the state could not allow the presence of armed groups. However, we gave precise instructions to concentrate surveillance and repression in specific actions. In the first month of our administration, with two dramatic events marked by abuses and excesses, we immediately ordered sanctions and an investigation.

After the action of the state in the poorer areas, however, subversion moved to the cities, particularly to Lima, where there were murders and terrorist attacks. In addition, disregarding the nation and its laws, terrorists sought to turn the prisons into battlefields. When mutinies broke out in three prisons, the government decided to take strong action to restore order and authority. Unfortunately, as the country knows and as I personally reported, there were excesses, the worst of which was the murder of more than 100 inmates. This incident, or for that matter any other incident, cannot be concealed in a civilized country. Investigations are under way and will soon be concluded. The responsibility of those who are involved will be established and they will be duly punished.

These terrible facts should make us reflect on the situation of violence in which we are living.

Violence is no longer the exclusive tool of subversive totalitarianism because at times it is also used by state organizations that fight subversion. I believe that the entire nation should reflect on this and ask why we have reached a point at which our daily awareness of death is becoming more intense as we witness subversive action, excesses, crimes and a violent ideology that fills our minds. This ideology reaches us through press reports and even appears on entertainment programs, which negatively train our children to become witnesses to or authors of death in the future.

This is why our democracy is precarious and weak when faced with the dangers of the brutal regressive situations we experienced, in which we forgot that hatred is not to be met with hatred but with the firmness and fairness of the law.

Thus, subversive violence is the main obstacle for our democracy. However, the spreading of violence to those who combat subversion is also an obstacle. This imposes on us the task of re-education, in which barbaric actions like the ones we have experienced are duly punished.

I am encouraging and asking the Congress to conduct the necessary investigations on this and other actions to prevent repetitions in the future.

I am repeating, however, that those investigations of excesses will never justify criminal subversive violence or its contempt for human lives and the law.

The state will firmly and energetically continue combatting subversion to guarantee the nation's security and, if necessary, it will defend democracy with arms.

Here I want to express my greetings and full support to the Armed Forces, who are acting in loyal respect and subordination to the constitutional government; and to the police institutions, whose self-sacrificing task cannot and must not be confused or harmed by individual or group excesses or atrocities. [applause]

Aside from violence, the democratic and popular program faces yet a more serious obstacle, which is the main issue of this address.

I am asking the nation to join me and to reflect on the nation's future. I have not come here just to give a detailed account of government's accomplishments but to warn you about our economic structure and its possibilities, and to tell you what we can do.

Our economic structure itself is and has been the greatest obstacle to the efforts made over the past months. That structure cannot be changed by a decree. It is an economy in which industry is essentially based in Lima and controlled from abroad. It is an economy that produces raw materials with increasigly depressed international prices. It is an economy whose agriculture, which has been led into misery, will be reconstructed very slowly. It is an economy involving acute injustice among human groups and regions.

Thus, everything that will be or has been done with goodwill concerning economic policy will have great limitations unless that structure is decisively changed under the aegis of a revolutionary state.

For instance, we all know that our national industry is concentrated in Lima and that its technology and equipment provide few jobs to the people.

The most serious problem, however, is that the centralist industry is basically oriented toward assembling foreign parts and unfinished products. This means that most goods produced in the country are being manufactured by assembling parts purchased abroad. Thus, as we have more industrial production under the current conditions, we will also have more demand for foreign parts and more dollars will be required for the economy to work.

As I have already explained, over the past 12 months, the reduction of interest rates, currency stability, price control, and wage increases have increased demand and consumption and stimulated economic reactivation.

This means that in the medium term our purchases from abroad will have to be increased to enable the industry to grow, and we will need many more dollars for this.

We all know that Peru is not receiving foreign credits because of its nationalistic position. We all know that we are being paid less and less for copper, silver, and oil.

The economic reactivation of the industrial sector can cause strangulation due to the lack of dollars. This causes us to lose ground in the crisis and limits increases of consumption and production, which we have promoted through an emergency policy over the past 12 months. This policy has achieved good results but has limits in the nation's economic structure. This truth must be realized and understood by the nation, because we now have to make a historical and qualitative jump toward a better-planned and more rational management of our economy if we are to continue to grow.

We must ask ourselves which roads we can take to deal with this problem. The first possibility is to pay the accumulated foreign debt so we can request new loans. This, however, is the liberal model that makes development dependent on external credits, and it has been quite negative for the country.

If we choose the road of paying so that we can ask for more credits, we would have to pay out larger quantities than those that will flow into the country as new credits. More importantly if we followed that road we would have to bow to the IMF and accept its theory, thus submitting Peru once again to the economic policy of devaluation, inflation, reduction of state expenditures, and opening our markets to foreign goods. This means we would have to retreat from the position we have gained this year. The second possibility, which is proposed by some sectors, is to have the government take control of the economic activities and entrepreneurial groups. The consequence would be to generate mistrust and fear among the middle class and the economic agents. It would also bring about the unavoidable bureaucratization of our social life. This bureaucratic and statist model would, as it does in other places, promote the flight of economic and human resources, as well as promote intolerance and passivism in our social life. The entire country can attest that bureaucracy is not the best way to manage social resources. The country knows that socialism today is not synonymous with statism and bureaucratization.

We propose a different alternative that is neither liberal nor statist. For the first time, we are proposing the need to guide the actions of the economic agents, both in the private and the state sectors, toward the attainment of national objectives, by defining the course and noting the limitations of a national project.

This imposes the obligation of interpreting the nationalist role of the state in depth.

Here, nationalism means that the state must have preeminence in conducting the nation, because the state is the synthesis of the national will, because the people elect their government to provide guidance and orientation and not to be a passive witness to disorder and selfishness. Today it is fundamental and necessary to break away from the satellitization of our economy, a satellitization that takes place not only in the area of the foreign debt, but also in the dependency of our industrial structure. The change must be carried out gradually through productively investing a greater portion of our economic surplus in the country. We must point out national objectives for the large economic groups that have taken hold in our economy, so that they will cease to be centers of accumulation of wealth and power or accomplices in our dependency, and become centers of support and impetus for national development.

We need an economy that can resist the inroads of imperialism in the near future. We need an economy of national defense against the crisis, concentrating the efforts and resources of Peru on a single objective. We need the state to measure initiatives and efforts, without lapsing into bureaucratization. This is the model of the state we do not yet have. In its absence, great entrepreneurial conglomerates have been formed, without goals relevant to the interests of the people.

In the previous government, which regulated credits, we had banks that attracted public savings to assist the groups that own the banks. In a state with a directed economy, industry grew in disorder, in many cases importing machinery which the country no longer needed. In the first year of our government, we have tried to stabilize the economic situation and, by recovering control over it, lowering inflation, and improving salaries, we have managed to reactivate the country's economy.

This has been an achievement, but it poses two risks, two limitations. First, as I have already said, the economy will be needing more and more dollars that we do not have. Second, as the economy is reactivated and consumption grows, business and industrial sectors, both large and medium-sized enterprises, now have a larger amount of profits in soles. These profits grow in keeping with the productivity of the enterprises. These profits constitute a threat unless they are invested productively in areas that receive state support and are necessary for development.

If these profits are not invested properly they might be used to purchase dollars on the black market, thus driving up the value of the U.S. dollar suddenly and fueling once again the inflation that will make us lose ground.

These are the potential threats the whole country must be aware of. They make it necessary to implement an economic policy that will not allow us to lose ground or plunge us into a quagmire of economic bureaucracy. Rather, it should control, channel, and enforce the productive investment of these resources.

We do not want speculation or idle wealth. We want work, initiative, and fresh capital that can be used for national independence. If we fail to do so, whatever has been achieved in these 12 months is just a cure for symptoms and a cosmetic solution, because devaluation, inflation, and unemployment are merely the outward signs of a poor economic framework. They are analogous to the fever and the headache of a seriously ill person.

Curing symptoms makes one feel better, but the proper course is to deal with the root of the problem. My government could take the easy path, doing over the next 3 or 4 years what it has been doing these last 12 months, trying to get to the end of the 5-year term with higher incomes and more production.

However, if we fail to deal with the true problem in a historical manner, we will deceive the country and leave it on the brink of a much more critical situation. It will have more production and more consumption but no dollars or funds to maintain this situation for much longer.

The people have not elected us to deceive them but to address the historical and structural problems that affect their fate. The economy we propose is aimed at defending the nation within the framework of democracy while strengthening democracy. This economy is based on certain basic guidelines I will now outline.

An economy of national resistance against imperialism can only be possible if the nation is aware that it is necessary. First, the use and flight of foreign currency must be restricted, and this currency must be used very carefully.

At the beginning of my speech I said that in this regard we will maintain our decision to use only 10 percent of our export revenues to pay the public foreign debt, and we will do so only as long as our reserves are not jeopardized.

Furthermore, the state will have to restrict the remittances of currency as private foreign debt payments, profits, depreciation, trademark payments, and royalties to both national and foreign companies.

Thus, we will defend our reserves and stimulate domestic investments of these resources by temporarily restricting their flight and using them to fuel the process of national economic reconstruction.

Peru has defended its reserves during the 1st year of my term in office by cutting down weapons expenditures, whose size was out of proportion to the nation's poverty. With France we have signed an agreement that I announced 12 months ago. By this agreement, instead of the 26 highly sophisticated Mirage plans that Peru was going to by, it will now purchase only 12, thus saving $530 million, that is, 7.5 trillion soles, which it would have had to pay over the coming years. [applause]

I want to state to the entire country that this has been possible thanks to the help, understanding, and decisiveness of our Air Force which, understanding the reasons for the government' actions has granted its generous cooperation in this regard, thus contributing to the national development. [applause]

Likewise, the government has decided to reduce, during the current year, the expenditures of rebuilding the cruiser vessel our Navy acquired from the Netherlands. The reconstruction of this vessel would entail an investment of more than $200 million with its respective interest rates, that is, more than $3 billion Peruvian soles. For this reason we have decided to reduce this expenditure by deciding that another cruiser of the Peruvian Navy be made flagship and christened, appropriately, Admiral Grau. [applause]

In referring to this subject, which is a tricky one for those governments that conceal it or do not know how to tackle it, I want to clearly state that before spending money for new equipment, we must work hard to make fully operational the equipment we already have. Moreover, we must make the people aware that in view of these decisions, national defense is not the exclusive duty of the Armed Forces. It is a compulsory commitment for all Peruvian citizens. Nobody can be a passive and dutiful spectator of national defense, believing that it is only the duty of those who wear the sacred uniform of the fatherland. Therefore I hereby announce that, within the democratization program of our fatherland, the government will shortly propose a law for active participation in the national defense.

The purpose of this bill is to eliminate exonerations, exemptions, and privileges so that all the citizens of Peru, regardless of their economic situation, of the job they have or the position they occupy in a family, will be subject to selection for compulsory military service. [applause]

But the safeguarding of the reserves and resources that originate in Peru must be accompanied by the rechannelling of investments toward decentralized productive sectors that offer job opportunities and consume fewer dollars. Moveover, our industries must start to focus on national objectives working to produce goods and not just to assemble them, that is, they must reduce their imports. In view of the current situation, this is not just a theory, this is an urgent need, which must be fulfilled through a joint action of the state and the enterprises. It is up to the industries and enterprises to come up with the initiative and imagination to meet the current challenge.

But our economy, which for many years operated with no regulations, has ended up forming great economic groups whose concentration power is dangerous if it does not have a social or national purpose. As I have just explained, the result of the reactivation is the growth of profits, which may have harmful effects if they are not used in a productive manner. We cannot declare the owners of the great economic groups guilty of this situation because the natural logic of capitalism calls for profit and expansion.

Our economy lacks government guidance to make growth serve national purposes. This is why we do not believe that ordering the nationalization of the economic groups is a solution. What they need is government regulation, a democratic regulation of costs and prices. If this regulation is not practiced, our national economy may become subjected to monopolies and to speculation by financial groups.

Our nationalist government cannot and will not allow monopolies, because they are specifically forbidden by our Constitution. Our nationalistic government must correct that situation wherever it occurs. [passage omitted]

We have said that a national economy requires a maximum of foreign currency savings and the investment of profits in productive projects. These measures, however, must be backed by the careful use of credits. We must solve many defects within the credit sector. The state and private banks share these defects. Credits in Peru are mainly concentrated in the hands of the same large economic groups and monopolies. Credits are concentrated mainly among the large companies, which set prices, that is, companies that can easily transfer the cost of interests to the prices of their finished products. Besides, the remaining private sector credits are sometimes siphoned off by the large economic groups which use these pubic resources for their own activities.

Nationalization is not a solution in this case, as some people suggest, because the bureaucratization of the state banks does not guarantee the efficient use of credits. We need what we do not have in Peru: a government that rules, directs, and guides, because that is what it has been elected by the people to do.

We need a clear, legal and administrative regulation to forbid the state or private banks from concentrating their loans on a small number of groups or companies. We need a regulation to democratize credits and to grant loans to agriculture and handicrafts. We must prevent credits and loans from simply being used as a powerful tool by the large economic groups.

To this end, the government today issued six supreme decrees, regulating credit concentration and fund allocations to groups related to each other or to financial entities, and forcing the decentralization of selective credits. These decrees involve the state's using domestic savings and granting the bank superintendency and the Central Reserve Bank the necessary powers to regulate and channel credits to avoid abuses, monopolies, and concentrations and to take advantage of the initiatives of all the institutions related to the state.

Foreign currency savings, the orientation and direction of economic groups and industry toward social goals, and the reorientation of state-run financial activities will remain just a theory if the Peruvian state continues as it is today, that is, slow, bureaucratic, centralist, Lima-centered. An economy of national resistance and growth requires a bold and revolutionary transformation of the state itself.

The national administrative apparatus itself is one of the greatest obstacles facing the government and history. Orders and regulations proceed with exasperating slowness. Change is not taking place among those who see administration just as a means of making a living with no social meaning. The centralist passiveness stalls the best efforts and causes decisions to be made with no consideration for the opinion of those who are directly involved.

The solution does not lie in coercion or in threatening the bureaucracy. The solution will only be achieved by delegating responsibilities which thus far have been concentrated in Lima. Therefore, I am announcing to the country the government's decision to immediately initiate a regionalization process by which territorial limits or regions, comprising one or more departments, administer, govern, and take the helm of their own destinies.

To begin this historic process, I will propose to Congress a bill on the creation of the Altiplano region in Puno, a department which, owing to its characteristics, has only one real situation. I will propose a bill on the creation of the region made up of Tumbes and Piura Departments, which have been called the Grau region, and I will propose a bill on the creation of the Amazon region.

These first three regions [applause, shouts] will be the vanguard of a process that for the first time will place in the hands of the people the full administration and determination of their destinies.

I am asking Congress to give priority to the regionalization bill that is currently being discussed so that after it is approved we may breathe life into the regions I have just proposed.

Contrary to a statist and bureaucratic system, regionalization means a democratic revolution, whose implementation I am passing on to the people as the greatest responsibility of their history. [passage omitted]

To prepare this new and democratic system of public administration, which is not only supported by the Constitution but by my absolute confidence in the people's maturity, I am also announcing the full economic and administrative independence of the state-owned corporations so they can decide what investments to make and how to spend their funds.

Nowadays, every state-owned corporation is experiencing a pinch. This is just a result of the centralist power which, as president of the Republic, I am repudiating.

As things are now, the corporation's meeting raises a proposal. This proposal then must be submitted to the Planning Institute.

Next, it must be submitted to the presidential and economy ministries. Finally, it must be submitted for discussion by the Bicameral Budgetary Commission. At each stop, it undergoes changes, delays, and the distortion of its original purpose.

To overcome this insanity, I am announcing that in the yearly budget bill we will propose a resolution to fully implement the administrative independence of the state-owned corporations as the initial step for the thorough decentralization of the regions. In addition, we will maintain our goal decentralizing economic activities and relocating some state-owned enterprises like the State Petroleum Agency [Petroperu], the national Coca Producing Enterprise, and Pescaperu [State Fishmeal and Fish Oil Production Agency] to areas and departments more closely linked to their activities.

With the same goal, I am introducing a bill expanding the collection of port fees, which formerly were charged only at El Callao port. If the bill is approved by Congress, port fees will be charged at all Peruvian ports. Thus, Chimbote, Paita, Matarani, (Hilo), and other ports will have additional economic resources for their development. [applause]

Finally I am announcing that when regionalization and economic decentralization are fully under way, we will restrict and in some instances ban the installation of new industries in Lima. Because of their size these industries can contribute to the decentralization process if they are installed in other regions. [applause]

Messrs congressmen, these are the goals I am reasserting in your presence; this is what we have accomplished; and these are the historic limitations we are facing, along with proposals for an anti-imperialist but democratic national economy, in which we call for the productive investment of the largest possible amount of funds so that we do not return to speculative activities, which are contrary to the nation's interests. In the economy we are proposing the state will be the best guarantee for a productive, democratic, and decentralized operation of the national wealth.

I want to tell you that these goals and these bills will meet many difficulties and obstacles, but we will implement them with the greatest and most absolute liberty. We will show the world that we do not need to resort to totalitarianism or to shameful excesses to change our country. A revolution can be carried out through persuasion. A revolution can be carried out with total, unrestricted freedom of the press. A revolution should not be something that generates fear, revenge, or hatred. It should be prudent, constructive, and great. A revolution can be carried out by making good use of private initiative.

Contrary to some people's beliefs, one does not need to be a communist to believe in change. We respect the communists and their ideas but our path is different. It is the path of nationalism and democracy. It is different. It is the path of nationalism and democracy. It is the bread-and-freedom path of Haya de la Torre. [applause]

Before finishing this exposition about the concrete works of each sector,. let me add something. I must request the people's help for our great objectives. I will not ask them to go to the streets. I will not ask for government-supporting crowds. Instead I will ask each individual to rule his own destiny in his own field, to help me rule Peru. If that individual knows much, he must teach; if he knows little, he must learn. [applause]

If he is a businessman, he must invest in Peru what he is earning. If he is a professional, he must return to society what it gave him in the university. If he is a craftsman, he must improve his work. If he is a peasant, he must plow 110 furrows instead of 100. If he is a worker, he must remember that the object he is manufacturing is necessary for another worker, and it must be well made. If he is a teacher, he must teach optimism. If he lost his way he must recover it. If he is an artist, he must dedicate to himself to his art. If he is a politician he must not hate, he must be understanding and patient. Only thus will a torch light the end of the road bringing us faith and strengthening us to build our nationalist and popular model. [applause] [passage omitted]

Regarding the Indian communities, we have appropriated two funds amounting to 340 billion soles to them as a concrete redistribution over the past 12 months. The first fund is for direct nonreimbursable assistance, that is, assistance granted free of charge by the state for agricultural and health projects that each community democratically decides to undertake. More than 100 billion soles has already been delivered to more than 1,600 peasant communities. The other 300 billion soles was for rural community development at an interest rate of 2 percent to be repaid in 20 years With this stimulus to the peasant communities and to the profitability of agriculture in general, and with the elimination of interest on credits for peasants in the poorest provinces, we believe that the historical difference between the city and the countryside will begin to be reversed. By giving more resources to those who have less and, as we have said, by gradually changing the structures of the unjust social tyranny, this reversal will ultimately be accomplished.

Agrarian reform has been carried out without carefully considering the relationships between the city and the countryside. Agrarian reform was confused with the concession of land deeds. In some cases, agrarian reform endorsed injustice. For instance, in Puno, where hundreds of peasant communities existed, the latifundia emerged centuries ago to conquer and to wrest the land from the peasants. Following this the agrarian reform created associative enterprises on the foundation laid by the latifundia that pushed the peasant communities onto small parcels of land, from which they looked, as from a balcony, upon what used to be their property.

Thus poorly implemented, agrarian reform served only to seal the historic despoliation of our peasants.

Therefore, we no longer speak of agrarian reform. We proposed an agrarian revolution in Puno through Decree 006, which restructures agriculture throughout the department, so that large portions of land that are now idle can be distributed and returned to the true heroes of the Andean saga. In this way, the communities have been historically vindicated. At the same time, we have promoted the development of production, which is now small or nonexistent because of the poor organization of the enterprises and the large size of the properties.

We have already expropriated 744,000 hectares of land and will continue to expropriate up to 1 million hectares. This land belonged to 43 agricultural enterprises of social interest. In a few more days, we will begin to distribute this land to more than 400 peasant communities, thus confirming their right to the land that was taken from them during the conquest. [applause] [passage omitted] In addition, because of reduced bank interest rates, formerly bankrupt enterprises have been able to resume their payments to the Industrial Bank and to other financial institutions, which are becoming increasingly overextended in their loans.

At the Industry Ministry, which has been the most bureaucratic sector, efforts have been made to simplify paperwork, and 1,170 enterprises were created in the past 12 months.

As a result of these measures, in the first half of 1986 the manufacturing industry has grown by more than 14 percent compared to the first half of 1985. Yet, even if we consider that the price of fishmeal and oil has dropped by one-third, industry has grown by 7 percent and the employment rate derived from it has increased by almost 5 percent.

However, we still have idle capacity. We still have unused industrial facilities, so we can continue growing. As I have already announced, however, we must urgently begin to change the centralized industrial system based on assembly plants. This is a challenge for the so-called industrialists and businessmen. An industrailist is not a speculator. An industrialist is not someone who seeks complete security. An industrialist is someone who takes risks for himself and for Peru.

In the future, therefore, our industry should not use many dollars and the factories should make better use of the nation's manpower and work more closely with the country's agriculture and mining.

With this pressing goal in mind, the state will begin active negotiations, to which I invite all Peruvian industrialists, to achieve a productive domestic reinvestment of the funds generated by reactivation over the past 12 months.

A concrete example of technological change that interests the entire country involves the conversion of oil-fired boilers into coal-fired or solid-fuel-fired boilers. At the present time Peru is squandering hundreds of millions of dollars worth of oil, which could be exported.

We have important anthracite deposits, which have excellent energetic yield and a lower pollution rate. Through credits and tax incentives, the state can stimulate this conversion, which demonstrates how private industries can indeed contribute to sound planning of the economy. At the same time, however, the nation, the people, and the government have a right to demand honest dealings by the businessmen. A large number of products are still being sold without invoices or on the black market to avoid taxes. A significant number of import and export deals are being made with forged prices so that businessmen can deposit funds abroad. This is not a patriotic way of working.

I am announcing that the state will establish a firm alliance with productive capital, but the state will severely punish these crimes. In this regard, we have submitted a bill establishing prison terms for those who sell goods without invoices or who forge prices of imports or exports, thus deceiving the country. [applause] In the fishing sector, the situation turned dramatic when fishing agreements with the Soviet Union were cancelled because of charges made, paradoxically, by the same politicians who made the agreements or maintained them in recent years. Twelve months later, however, we are able to demonstrate that in the first half of 1986 fishing activities have increased by 44 percent compared to the first half of 1985, as a result of an effort to increase consumption by Peruvians, especially by the low-income groups.

From January to May 1986 fishing catches totaled 102,000 tons -- 22 percent more than the 83,000 tons caught last year. Frozen fish production has increased from 7,600 to 12,100 tons in the first half of 1986, that is by 60 percent. Canned fish production has increased from 525,000 units in the first half of 1985 to 787,000 units in the first half of 1986, that is, by 50 percent. The important factor, however, is those who benefit from this growth in canning activities. The government and private industry have begun to produce a line of low-price canned fish products. On 28 July 1985 a 148-gram can cost 6,000 soles. A 400-gram can now costs 5,000.

This so-called national line of goods is specifically intended to help the most remote areas of the country and those sectors of the population that do not have the benefit of electricity and refrigeration.

With this purpose in mind we have reopened and put into operation the Ilo Canning Factory, which employs 450 people, the COPEC [not further identified] plant in Chimbote, and the plant in La Puntilla. At this point almost 2 million cans of this popular product is being sold in the country every month.

But the most important project in the field of fishing is the rebuilding and refurbishing of fishing ships and trawlers that had been completely abandoned. We have put an end to the spendthrift policy of buying when we can rebuild and improve.

We found many destroyed ships as well as ships that had been impounded by state banks because they had been purchased by private companies with Peruvian money and had been abandoned for 4 or 5 years, falling part or getting looted. Two large ships with storage and cooling facilities have been rebuilt by the Peruvian Enterprise for Fishing Services. Yesterday, I attended the dedication of the first of these ships, which can store and refrigerate up to 800 tons of fish. [passage omitted]

As to communications, 150,000 new telephone lines will be installed and the 9 new centrals have already been built for the 65,000 new telephone lines in Lima. Furthermore, taking into account the cost of each individual telephone line, the government has installed 30 communal public telephone centrals where people of low-income neighborhoods can receive telephone messages and make long-distance telephone calls.

Meanwhile, the National Telecommunications Enterprise [ENTEL] is continuing to dedicate new direct-dialing centrals in the provinces. I dedicated the last such central, with 1,500 lines, in Pacasmayo just a few days ago.

In the coming year, ENTEL, taking advantage of its idle capacity, is planning to build 140 more telephone exchanges that would help link provinces and districts with the rest of the country and the world.

Yet another sector important for development is energy and mines, and in this sector oil is the key issue, it is also a controversial issue.

The situation we found 12 months ago was that Petroperu exploited only 36 percent of all the petroleum produced in Peru. Furthermore, Law 22123 issued in 1981 had reduced the taxes paid by oil companies from 68 percent to 41 percent without making them invest in new prospecting projects. Several supreme decrees issued illegally granted tax exemptions to foreign companies.

Firmly but prudently, the government abrogated Law 22123 and raised taxes from 41 percent back to 68 percent. The government also annulled the illegal decrees, and made foreign companies pay taxes from which they had been exempt before. Finally, the government began negotiating with the two foreign companies operating in the country to make them invest fresh money in risk-prospecting contracts as retribution for the profits they made within the framework of Law 22123.

The government signed a contract with only one of the companies that agreed to the new conditions and Petroperu took over the operation of the other company. Under the new contract the foreign company agreed to provide the appropriate guarantees that will invest $277 million over the next 6 years. Furthermore, the rate of 50 percent of the price obtained for a barrel of oil, which the companies formerly received has been reduced to 47 percent.

We must bear in mind that when the contract was signed a barrel of oil cost $24 on the international market. In view of this, the company was to receive $11.50 per barrel of oil it produced, that is 47 percent of the price of the barrel of oil. Over the last few months the world has had to deal with a serious problem. The price of oil dropped from $24 per barrel to less than $10 per barrel. This situation has serious consequences for Peru because it undermines our foreign currency revenues. Thanks to the contract, however, the amount that the company receives has been reduced as well. This is something that certain people have failed to understand.

When the price of oil was $24 per barrel, it was agreed to pay the enterprise $11.50, that is, 47 percent of the international price per barrel, taking into account that the extraction and labor costs per barrel amounted to over $8. However, with the drop of the oil price, the amount paid to the company has dropped in proportion, and it now gets approximately $5 per barrel, or 47 percent of the international price.

As a consequence, the company obtains less than what the barrel costs to produce, and it has no chance of making any profit. In other words, for a barrel of oil that would cost Petroperu more than $8 to produce, Peru pays the Occidental Petroleum Enterprise approximately $5. This same barrel can then be sold for approximately $9 to $10. In keeping with the terms of the contract however, and under the risk of losing all its assets, the company is compelled to continue its exploration program for which it must invest fresh capital.

Moreover, with the creation of Petromar to replace VELCO enterprise, Petroperu, for the first time undertook activities in the continental shelf.

In sum, Petroperu, which in July 1985 exploited only 36 percent of all the oil produced in Peru, now exploits and handles 52 percent of it and has engaged in exploiting activities. Currently, Petroperu has two seismic teams working; it has started work to confirm the existence of oil deposits in Pirim, Puno Department, and in (Lancones), Talara; and it has begun drilling to explore for gas in Aguaitia. Should the existence of gas in Aquaitia be confirmed, we would guarantee, in the medium term, the supply of electricity to the entire department of Ucayali.

In the administrative sector, Petroperu has had too many managers, positions, and bureaucratic privileges. The current administration has reduced the number of managers from 71 to 26, and reduced by more than 1,200 the number of employees, thus cutting down the current budget by $12 billion Peruvian soles. [passage omitted]

In the mining sector, Peru, like other countries, suffers a loss of income because of the decline in international prices. A national solution to this problem cannot be found. In this field, assistance has been directed at the small and medium mining activities, which will receive credit help once their finances are in order. The state mining enterprises have been reoriented to face the present situation, so that their operational costs can be lowered.

In view of the impossibility of investing $300 million in the second stage of Cerro Verde, which is owned by Mineroperu [Peruvian Mining Enterprises], a process of high-technology recovery has been applied: The process of ferro-acid lixiviation has been installed with an investment of $8 million. Also, the production of copper cathodes in the Ilo refinery has been increased by 16 percent, and the production of zinc in Cajamarquilla, by 11 percent. It must be noted that, despite the difficulties in the international market and the problems of producing a sulphur-containing mineral, Hierroperu [Peruvian Iron Mines Enterprise] has boosted its production to 500,000 tons and has expanded its export market. [passage omitted]

I would like to refer now to the justice sector. In the justice sector, a number of important projects have been implemented and a number of important proposals have been made.

Unfortunately, in this sector a dramatic riot occurred, and during its repression unforgivable excesses, which the government is not concealing and will not conceal, and which must be exemplarily punished, occurred. The goals set forth by the justice minister last year still hold.

These goals of the justice sector include expediting lawsuits, lifting punishments, and assisting in the administrative moralization process.

With these goals in mind and with the assistance of more than 100 lawyers from the Justice Ministry, and thanks to the law reducing punishments, which was approved by this Congress, the release of 5,300 inmates has been achieved. A total of 1,022 prisoners were pardoned. Most mothers who had children were set free because a goal we mentioned here 12 months ago was that children were not to suffer imprisonment.

Through a supreme decree, it was established that the members of the Armed Forces or the police, indicted or sentenced for common crimes, be transferred to prisons run by the National Institute of Penitentiaries, thus putting an end to an unacceptable situation of privileges. In March, 249 inmates of the so-called [word indistinct] were moved to regular penitentiaries run by the justice sector.

Construction of the high-security (Canto Grande) Penitentiary, which had been interrupted for a long time, has been completed, and it can now hold 1,150 prisoners. Work to complete the Chiclayo, Huancayo, Arequipa, and Trujillo Penitentiaries continues.

To these actions, we must add the activities conducted by the Justice Ministry for the benefit of the children, owing to the initiative of former Justice Minister Dr Luis Gonzalez Posadas. These include opening new houses for children, struggling against drug abuse, and establishing legal offices in shantytowns.

In addition, legislative discussions have been promoted, and 1,240,000 copies of the Constitution have been freely distributed. The publishing of the popular legal library at special prices has already begun. Two volumes have already been published.

I must especially mention a proposal by the government and approved by the Congress concerning the abrogation of Law No. 23 321, which was known and approved as the contempt law. This law was abrogated because we deemed necessary a broad freedom of the press, and we considered that this law was against freedom of the press, as established in the Constitution, which calls for all the necessary changes, transformations, and efforts, to guarantee the free opinion of all Peruvian citizens. [applause] [passage omitted]

In the security and Interior Ministry field there has been an outstanding effort supported by Congress; the government's effort to help preserve the Republic's safety and order enjoy the full confidence of the nation. With this purpose the law for the reorganization of the police forces was proposed and approved by congress. This law establishes the role played by the political civilian authorities, and sets the grounds for the unification of the police forces under a single command and with an integrated training center. To consolidate this project, I hereby announce to the nation that we will propose a constitutional amendment bill, which I hope Congress will approve through the corresponding procedures with the purpose of uniting the police forces under a single institution. [applause]

In addition to the moralization and re-education problem, the Interior Ministry was confronted with an excessive number of personnel who hindered and bureaucratized the work carried out by the institutions. Therefore, and abiding by the law, almost 1,000 officers of the three institutions, and several hundred low-ranking personnel were dismissed. The government has reiterated that this was the beginning of the police reorganization process, whose results cannot be appreciated immediately but only after a long integrated re-education process. It has stated its unwavering determination to publicly sanction any member of the institutions who may commit a crime or abuse his authority.

Tribute should be paid, however, to the job fulfilled by the policemen who place their lives at stake. In the past few years 500 policemen have been the victims of terrorism and deliquency. Institutions that have specified so much in carrying out poorly rewarded efforts and jobs cannot be stained by incidents perpetrated by individuals or groups. Therefore, we have substantively improved their salaries and are currently reequipping them so that their salaries and are currently reequipping them so that they can struggle against crime. In July 1985 there were only 16 patrol cars in Lima. This year we have acquired 282 new patrol cars and one helicopter and, during the next few months, we will incorporate 385 new vehicles throughout the country.

As a result of the antiterrorist operations more than 200 weapons and 51,000 sticks of dynamite have been seized, 15 terrorist cells have been dismantled; and 736 persons suspected of being engaged in subversive activities have been handed over to the courts.

In the drug-trafficking field, the government has acted with determination to break up important drug rings; destroying 270 cocaine base paste manufacturing plants; arresting 1,200 drug-trafficking suspects, and 1,900 drug consumers. A total of 46 tons of cocaine base paste have been seized.

The ministry has acted with the same determination to combat kidnapping which, due to the novelty it represents, has shaken the country during the past few months spreading fear and uncertainty in the business community. Of a total of 54 kidnap cases 41 have been solved, the perpetrators identified and captured, and a total of 85 delinquents placed at the disposal of the judicial branch.

These, Messrs Representatives, are some of the actions carried out with the purpose of fulfilling the objectives that will allow us to implement the nationalistic and popular democracy we referred to 12 months ago in our first address to the nation. This is the internal effort, but it would be limited if it were not extended to Peru's presence in the international arena.

The government has promoted a nationalistic and anti-imperialistic foreign policy whose guidelines are based on integration and nonalignment. The international policy promotes fair Peruvian participation in the international economic system, allows Peru to take advantage of other countries' cooperation, seeks autonomy for internal development and promotes, together with other nations, a new international economic order.

With these objectives we unfurl the flag against the arms race to put an end to distrust and fear with neighboring countries. We did this by inaugurating a direct dialogue and signing border integration projects like the Duyango-Tumbes agreement with the Republic of Ecuador and the important bilateral talks in which military commanders of the Republic of Chile took part together with high-ranking officers of our Armed Forces.

Likewise, we have given our links with Colombia, Bolivia, and Brazil a renewed impetus within the framework of a new and more dynamic policy with our neighbors.

Upholding these principles, we have come before the United Nations, the FAO, and the beloved sister nations of Argentina and Uruguay, strengthening our bilateral relations with them and always proposing a continental consensus for decision to face imperialism and the pressing foreign-debt problem. Peru has supported the need for Latin American unity in the face of the Central American crisis which, in our opinion, has threatened the right to self-determination because of the growing intervention taking place in that region.

A year ago, from this same forum I proposed the idea of creating a support group for the Contadora Group to seek a negotiated solution to the Central American conflict and to avert foreign intervention in Nicaragua. I said then that Latin American problems must be solved by Latin Americans.

We have actively participated in the efforts and proposals made by the Contadora Support Group. We will always uphold the idea that Latin American countries should solve their own problems without the arbitration, the dictates, or the arrogance of any big country.

We are not in solidarity with foreign ideologies or mistaken domestic policies. We cannot be. We do state, however, that no mistaken domestic policy can justify the intervention in or the invasion of a Latin American country. As a government of the people we are firmly convinced and determined to express our solidarity with and to support that sister country in Central America that might be attacked by a great power. [applause]

We reiterate the need to strengthen the Andean Group and to promote the creation of a Latin American community. We have sponsored and signed the Rodrigo Lara Bonilla agreement to carry out a continental struggle against drug trafficking. We have proposed the restructuring and renewal of the OAS objectives, which must become more free and Latin American.

We have shown our solidarity with the oppressed peoples of the world in keeping with our constitutional principles. We have headed a world movement to abolish the inhuman South African Apartheid regime and to support the independence of Namibia.

Conscious of our points in common with the Third World countries, we have strengthened our participation in the Nonaligned Movement.

In this manner, Peru will continue facing its difficult economic limitations, the dramatic world crisis, and the selfishness of the rich and powerful. However, we will face these situations with a single objective: to start a prudent democratic process that will be firm and revolutionary and to build a society that will enjoy a different quality of life, where misery, injustice, and pain will be banished by the efforts of all Peruvians.

In the last 12 months we have learned much from the limitations of power, from bureaucratic indolence, from the intolerance of those who want everything done immediately, from the selfishness of those who wish a change but one that does not affect their wealth.

In the last 12 months we have not only tried to help save the country from an apparently irreversible situation but we also have managed to attain something very important: We recovered the people's credibility and faith. Those people, who for centuries had very little or nothing at all, know that despite the government's good intentions, things cannot be solved from one day to the next. That is why these people are generous and patient. When I listen to disorderly claims, demands, and shouts, I also listen to the silence of those who are patient and who I know now have new optimism, faith, and trust in the future.

As the head of this nation, I thank the poliitical parties and the different ideologies, some in the opposition, for their contribution to maintaining this democratic test despite difficulties. I thank the social and cultural institutions, particularly the church, which represents a hope we will never lose. I thank all the political parties, but I especially thank my party, which has never before had the responsibility it now has. Despite this and despite our mistakes and learnings, we are demonstrating that where there is a will, something important can be done for Peru.

Once again I thank the Peruvian people, because their faith fuels my enthusiasm, because during the hardest times, the economic crisis, and the pain of sudden death, I just had to walk among the people to feel their cordial presence to again take the helm and firmly maintain our course. I appeal to each citizen for unity and patriotism.

This is the concrete result of a year in power, but we still have something far greater to do: the moral task of faith that will make each one of us grow before adversity to be as great as history demands that we be.

There are some circumstances when the people must be collectively aware of their difficulties and their destiny. In dramatic circumstances such as war, we must understand that we are not likely to get a respite from adversities and difficulties.

Restructuring our economy and society, transforming the state to give it the necessary energy and inspiration, eliminating the passiveness and the selfishness from our nature, are very difficult tasks that demand time, perseverance, and patience. Nothing will be achieved in a short time. Those who expect to feel the satisfaction of immediate accomplishments are mistaken and are bound to be disappointed. We do not want or need this kind of bystander. What we need are Peruvians who are aware of the complexities of Peruvian problems and who are able to understand that every process is bound to go forward and backward.

We must comprehend that as far as Peruvian history is concerned time goes beyond our momentary enthusiasms and disappointments.

For this we must recall the [Inca] empire, the powerful thrust of Pachacutec [Inca emperor in 1417, a main builder of the Inca empire], the pride of having been the capital of the new world, the memory of our heroes of the tragic war, the voices of the masses who have fought for justice.

Taking our strength from all this, driven by our willpower and our awareness, we shall not be stopped by either violence or lack of tolerance, pettiness or hatred, difficulties or selfishness. We will not lose our illusions when faced with obstacles because we know that time is on our side and because we will have the faith of a victorious people.

Once again I want to reaffirm before the nation my commitment and my decision to continue struggling forever in life or in the deep sleep of death, until I do my duty for the poor, the humble, the nation of Peru. [applause]

GOVERNMENT SUSPENDS FREE FOREIGN EXCHANGE

PY291933 Madrid EFE in Spanish 1633 GMT 29 Jul 86

[Excerpt] Lima, 29 Jul (EFE) -- The Peruvian Government today suspended the remittance of foreign exchange abroad for a period of 24 months, according to a decree that has just been published in the official gazette EL PERUANO.

The restriction refers to foreign exchange that is used for purposes of depreciation, the amortization of debts, payment of interest, dividends, profits, royalties, payment for brands, technical assistance, and other similar payments.

The measure includes payments that have been authorized for the oil and mining enterprises that have signed special contracts with the state, with the exception of payments for specially justified services.

The Central Reserve Bank can issue bonds in foreign exchange, against a payment in Peruvian money, which will be redeemable once the 24 months end.

The decree also says that both public and private enterprises without exception must maintain in Peruvian currency all of their resources that are not used for savings.

All those who possessed foreign currency before the approval of this decree must sell it to the Central Reserve Bank within the next 10 days at the financial market price.

The decree also states, among other things, that this measure is being implemented because the Constitution establishes that during a serious crisis or emergency, the state can intervene in the economic sector with temporary measures of an extraordinary nature. [passage omitted]

COSTA RICA

ARIAS CALLS NICARAGUAN ACCUSATIONS 'CYNICAL'

PA300203 San Jose Radio Reloj in Spanish 0100 GMT 30 Jul 86

[Text] President Oscar Arias has called Nicaragua's charges against Costa Rica at the International Court of Justice cynical. Arias said he is concerned about the cynicism of neighbors who have turned to the Hague court because they are the ones responsible for reporting the war and the violence in the (?area). Arias stressed that Costa Rican unity is needed in the face of this kind of situation.

DENGO CRITICIZES NICARAGUAN ICJ LAWSUIT

PA300412 Madrid EFE in Spanish 2337 GMT 29 Jul 86

[Excerpts] Washington, 29 Jul (EFE) -- Costa Rican Vice President Jorge Dengo criticized the Nicaraguan Government today for having used his country before the ICJ for its alleged collaboration in anti-Sandinist activities.

After a long meeting with high-ranking U.S. Government officials at the White House, Dengo told EFE: "We do not know details of the lawsuit," but "it surprises us that Nicaragua believes it has reasons to sue Costa Rica over that situation." After reiterating that his country is "neutral," Dengo pointed out that it is "absolutely false" to say, as Nicaragua does, that Costa Rica is an instrument of the United States. [passage omitted]

Dengo, who in his visit to the United States is accompanied by the Costa Rican ministers of foreign affairs and the presidency, said the members of the Reagan administration with whom he had met did not request from Costa Rica any help for the Nicaraguan contras.

Before refusing to make any comments regarding U.S. financial aid for the rebels, Dengo said the United States "understands Costa Rican neutrality" because aid to the rebels is "a U.S. domestic policy problem." In addition, the Costa Rican vice president expressed his optimism regarding the U.S. reaction to his presentation of the country's economic and commercial problems.

HONDURAS

FOREIGN MINISTER DISCUSSES NICARAGUAN ICJ SUIT

PA291333 Tegucigalpa Cadena Audio Video in Spanish 1130 GMT 29 Jul 86

[News conference by Foreign Minister Carlos Lopez Contreras with unidentified foreign and domestic correspondents on 28 July; place not given -- recorded]

[Text] [Lopez Contreras] The Nicaraguan Government has decided to file suit against Honduras in The Hague court, claiming that international law has been violated because Honduran territory has been used by Nicaraguan guerrilla groups that are fighting against the Nicaraguan Government.

We have just received this information and are now studying it. Of course, we will take the necessary steps regarding this case.

[Reporter] [Passage indistinct]

[Lopez Contreras] I have said that apparently the basis for the suit is the alleged use of Honduran territory by the counterrevolutionaries. I have said an alleged use. It is not an official use. I want to make it clear that on previous occasions when we have explained this point, the foreign minister, the government, or the president have never denied the presence of counterrevolutionary armed groups. We have emphatically said, and this is in the records of the OAS and other organizations, that Honduras has not authorized armed groups to enter neighboring countries. If they do enter, they are doing so illegally.

NICARAGUA

ORTEGA SPEAKS BEFORE UN SECURITY COUNCIL

PA291802 Managua Domestic Service in Spanish 1520 GMT 29 Jul 86

[Speech by President Daniel Ortega before the UN Security Council in New York -- live]

[Text] Mr President, your excellencies, representatives to and members of the Security Council:

On 25 March 1982, exactly 4 years, 4 months and 4 days ago, I came to New York to explain to the security council, the highest body in charge of safeguarding international peace and security, the situation that prevailed in Central America then, and the serious repercussions that President Reagan's Nicaraguan policy was having in the area and in the international community in general. We said that we had come to this forum because we shared the concern of the international community; of the U.S. press; of U.S. political, labor, and religious leaders; and of the common citizens of this great nation who oppose having another Vietnam and who want peace. At that time we expressed our willingness to make all the efforts necessary to avert a catastrophe. I believe the developments of these past 4 years have confirmed our concerns about the war of which we are a victim and have proven the sincerity of our commitments and efforts for peace.

I have come here today to address a matter that concerns not only Nicaragua or each of the members of this council, but all the members of the United Nations. I have come to discuss the very survival of the international legal order and international law. The survival of international law is currently at stake, and it is up to the world's nations, particularly the members of this Security Council, to defend and preserve it.

International law guarantees each state's right to self-determination, to freely choose its political, economic, and social system without interference or intervention by any state. International law guarantees each state's sovereignty, territorial integrity, and political independence, and it precludes any foreign interference in these basic rights. International law also precludes the use of armed action by one state against another, with the only exception of the right to self-defense in the face of an armed attack. International law does not make distinctions based on the size or geopolitical location of states, which would undermine it. Without international law, fundamental rights would disappear. There would be no rights. Justice would be nonexistent. Power would supplant law. Bloodshed and suffering would multiply. Small states would be rendered totally defenseless.

The current international legal order is fragile. There is no executive authority or permanent international police force with the power to enforce international law. It is difficult, if not impossible, to coerce a state into compliance with its international legal obligations. If international law is not respected, if we reject laws and the obligations they impose on us, states will be tempted to repeat that bad example, and then international law will be on its way to extinction. Every time a state rejects or shows disregard for international law, a dangerous trend is strengthened in which laws are replaced by power; that is, by the law of the jungle.

When the highest UN legal body, the world's highest court, the International Court of Justice [ICJ] issues a ruling that delineates international law of applies it to a specific case, it should be the responsibility of all those states that want to preserve and maintain international legal order to endorse that ruling. The 16 ICJ justices represent a broad spectrum of the world's legal systems and constitute a body of eminent and prestigious scholars and legal experts. They are highly moral and objective men. Their decisions are not only legally binding for the parties that come before them, but constitute a statement on and interpretation of the law that should be respected by all nations.

The ICJ has made public its decision on the Nicaraguan case. After 16 years....[Ortega corrects himself] After 26 months of deliberations, the ICJ has issued a ruling in the case of Nicaragua versus the United States. After 26 months of deliberations, the examination of evidence, and careful discussions, the court issued its pronouncement on the case. Its decision has already become part of international law.

After its main examination, the court decided that the United States, by training, arming, equipping, financing, and supplying the counterrevolutionary forces, or by encouraging, supporting, and aiding military activities against Nicaragua, acted against the Republic of Nicaragua in clear violation of its obligations toward the common law of not intervening in the affairs of other states.

The court also decreed that the United States, upon carrying out certain naval and aerial attacks against Nicaraguan territory with U.S. troops and intelligence personnel, acted against the Republic of Nicaragua in violation of its duties toward the common laws of not using force against another state. The court also decreed that upon placing mines in Nicaragua's international and territorial waters, the United States acted against the republic of Nicaragua in intervening in its internal affairs, violating its sovereignty, or interrupting its peaceful maritime trade.

The court decided that there is no legal justification for any [words indistinct], and it expressly rejected the U.S. justification of collective self-defense regarding military and paramilitary activities against Nicaragua. As a result of these decisions, the court has ordered the United States to immediately cease and desist from all of these illegal activities and to compensate Nicaragua for the damages it has suffered.

It is important to stress that on each of these issues, the court's vote was almost unanimous. On certain issues the vote was 14 to 1, the negative vote coming from the U.S. judge. On other issues the vote was 12 to 3, but even in this case only the U.S. judge supported the U.S. position. The British and Japanese judges refused to join the majority because they felt that the court did not have jurisdiction, not because they agreed with the United States.

The court's opinion is a model of legal wisdom, of judicial leniency, and of objectivity. The court carefully considered each of the U.S. Government's arguments to justify before the world, and especially to worldwide public opinion, its policy of intervention and force against Nicaragua. After an in-depth and careful examination, the court rejected all of the U.S. arguments. The principal U.S. argument was that its actions against Nicaragua were in collective self-defense because Nicaragua is allegedly committed to and sends arms to the Salvadoran revolutionaries. Nicaragua is thus committed to an armed attack against El Salvador. The court found this argument unfounded.

First, the court decided that [words indistinct] and the public in general were insufficient to satisfy the court that the Nicaraguan Government was responsible for sending arms to the Salvadoran revolutionaries. Therefore, the court rejected the very basis of the U.S. charges against Nicaragua; it also rejected the U.S. argument that Nicaragua has failed to fulfill the commitments it has made to the OAS regarding its internal political system, and that instead of fulfilling this alleged commitment, it has established a dictatorship that does not respect human rights. First, the court found that Nicaragua had never made any binding commitment to the OAS regarding its internal political system. Likewise, the court indicated that even if these commitments had been made, Nicaragua had fulfilled them.

The court expressly declared that elections were held in Nicaragua in November 1984, and that a president, vice president, and National Assembly were elected, that seven political parties were elected, and that the elections were monitored by international observers. The court also pointed out that Nicaragua had fulfilled its promise of inviting and receiving representatives from the Inter-American Human Rights Commission, who were allowed to conduct a complete investigation of human rights practices in Nicaragua and to report the results of their investigation.

Finally, the court found that even if a legal agreement had been made with the OAS and even if it had been broken, this would not justify the United States insisting on an agreement that was not made directly with the United States. The organization with which it was made is the only organization that can monitor its implementation.

In the most important paragraph of its ruling, the court said U.S. discontent with the political and socioeconomic system could not be a basis for it to intervene in Nicaragua's internal affairs. This was a strong reaffirmation of the principle of the existence of a sovereign state. It was expressed by the court in the following way: A state's adherence to any doctrine is no violation of international law. To interpret this differently would make the fundamental principle of sovereignty senseless. It is the principle on which international law rests and through which the people have the right to choose a country's political, social, economic, and cultural system. The court cannot permit the creation of a new law that allows a state to intervene in another country because the latter has chosen a given political system or ideology.

The last U.S. argument studied by the court was the alleged excessive militarization of Nicaragua. This argument is equally inconsistent. At the very same time, the United States was intervening in our internal affairs, carrying out armed attacks against our important economic installations, mining our ports, and protesting Nicaragua's arms purchases, which were necessary for our defense. It was natural for the court to reject this argument. It said it was irrelevant and inappropriate to accept this U.S. contention because, according to international law, the only laws that exist are those that are voluntarily accepted by a state, be they a treaty or other agreement.

When Nicaragua filed this historic suit in April 1984, our foreign minister, Miguel D'Escoto, said we were taking this step to claim the right of the Nicaraguan people to their sovereignty and self-determination. This was to reaffirm and to preserve the right of small countries, especially of nonaligned countries, to their sovereignty, political independence, and territorial integrity. He added that Nicaragua was filing this suit to support and to strengthen conduct in international relations.

By appealing to the ICJ, Nicaragua not only sought to claim its legal rights; it also accepted its legal obligations. We can only insist on our rights under the law if we accept the obligations imposed on us. By submitting our case to the ICJ, we pledged to abide by the obligations imposed on us by the court, whatever it ruling may have been. We also pledged to abide by international law.

This continues to be Nicaragua's policy, and it will remain unchanged. We have voluntarily pledged to respect and to obey international law and we shall honor that pledge.

Mr President, we cannot fail to note that following the court's ruling, the situation in Central America is getting worse, not better. The United States continues to meddle in the internal affairs of Nicaragua and in those of the other countries of the region. Its systematic blocking of all peace initiatives and its determination to seek solutions by force has made it evident that regional and international peace is in danger. The United States has persisted in increasing the militaristic course of its policy against Nicaragua.

The military infrastructure created in the last 5 years by the United States in the region, the construction of military bases and training centers, the staging of giant military maneuvers, and the introduction of new military equipment never before seen in the region have a scope beyond dealing the mortal blow the Nicaraguan revolution. The U.S. military presence in Central America is aimed at undermining the sovereignty of the countries in the region. It is an attempt against the integrity and independence of the Latin American and Caribbean countries.

Nothing illustrates the nature of this policy better before the eyes of the world than the U.S. Government's illegal intervention against the Nicaraguan Government and people. A total of 31,200 Nicaraguans have become victims of this dirty war, of whom 14,260 were patriotic and honest Nicaraguans killed while defending their homeland's sovereignty, independence, and self-determination. This cruel and imposed war was taken a toll over 174 innocent children and wreaked over $2 billion in physical destruction in this country.

And as if this were sufficiently cruel, upon the U.S. President's request the U.S. House of Representatives has approved $100 million, weapons of all types, and U.S. Army military advisers to enable the mercenary forces -- organized, directed, and trained by the U.S. Government -- to step up their policy of death and destruction against the Nicaraguan people.

Just yesterday, this terrorist policy took the generous lives of three international cooperation workers. They were Benhard Erich Kalberstein from the FRG; Ivan Slaude Leyuraz [words indistinct] and [name indistinct] from France. They were working on social programs for the Nicaraguan people.

However, nothing will ever be able to bend our people's strong determination to defend their dignity. Today, like yesterday, we must repeat that neither threats, [word indistinct], nor invasions will destroy our strong will to safeguard our legitimate right to self-determination. We, the 3.5 million Nicaraguan men, women, youths, children, and elderly, are prepared to sacrifice our lives for it.

Today, like yesterday, we must repeat that we do not seek confrontation; that we have not come to the UN Security Council to hurl insults at the U.S. Government, but to seek peace and respect for international laws; to seek a peaceful and honorable settlement to our differences; and to again offer an opportunity to the U.S. Government to think things over and adjust the behavior to the principles [word indistinct] of international law.

A few days ago we heard President Reagan say the imposition of a trade embargo on the hateful regime of apartheid in South Africa would be an immoral action because it would hurt the South African people. However, President Reagan has imposed a trade embargo on Nicaragua that is harming the Nicaraguan people. President Reagan must admit that the policy of state terrorism that has administration is enforcing on the Nicaraguan people is immoral. President Reagan must admit that another Vietnam is being promoted in Central America along the path and that this will lead to U.S. youths also dying in Central America.

[Former U.S.] Ambassador to Honduras John Ferch has confirmed this militaristic tendency. He has stated that if the current policy is maintained, the $100 million that was recently approved by the House of Representatives will be nothing but a down payment [preceding two words said first in Spanish, then in English] for a much larger amount of aid. He has said he feels he was to victim of a lie from his own government. I think he was led into believing something that was not true because he believed in the declarations in favor of a negotiated solution until he became convinced that the goal of the Nicaraguan policy was something different, a completely military goal. This was said by the [former] U.S. Ambassador to Honduras [words indistinct].

Mr President, loyal to our desire for peace, we have done all possible and necessary to facilitate the success of the pacification effort carried out by the Contadora and Lima Groups on behalf of Latin America.

On 17 June of this year, making a [word indistinct] effort, for the second time we were the only country that told Contadora that we were prepared to sign the most recently revised Contadora peace act, which had been presented at the meeting in Panama on 6 June.

All of us are aware of the danger to the efforts of this group of countries because of the current U.S. Government's lack of political will to truly support this Latin American effort.

The U.S. position toward Contadora has been one of rhetorical support, but in reality, it is an effective boycott in the form of pressure, blackmail, and military activities in the area. The contempt for the search for peaceful and political, solutions is evident.

The U.S. Government must correct its course. To do so would not be humiliating; on the contrary, this would bring honor and international respect and recognition to the United States.

Nicaragua is willing to immediately begin negotiations with the U.S. Government to solve existing problems and to normalize our relations. Mr President and council members: The future of international law, the international legal order, and all they represent is now in your hands.

What is in store for the court, for the international legal order, and for the fundamental principles of international law on which the court based its decision if this decision, which was based on fundamental principles of international law, is not respected and endorsed? We are certain that we will receive your support so that the court is not undermined and so that the fragile structure of international law will not sustain a deadly blow but, on the contrary, will be strengthened. Nobody is more obligated than Security Council members to promote respect for the court and legal order in relations between states. Nicaragua is not asking for the condemnation of anyone; Nicaragua only seeks support for the ICJ and for law in international relations.

We are sure the Security Council will give its full support to the international legal order, to the UN Charter, and to the ICJ. In this way, the justice, peace, and self-determination to which small countries such as Nicaragua are entitled will be defended. Thank you very much. [applause]

ORTEGA, D'ESCOTO HOLD NEWS CONFERENCE AT UN

PA292246 Managua Domestic Service in Spanish 1620 GMT 29 Jul 86

[News conference given by President Daniel Ortega Saavedra and Foreign Minister Miguel D'Escoto Brockman at the United Nations for correspondents accredited to the United Nations -- live]

[Text] [Reporter] [Words indistinct] at the International Court of Justice [ICJ] that the United States rejected beforehand. What right do the countries that disregard the ICJ have [words indistinct] the policy of the empty chair within the court?

[Ortega] The U.S. Government has not officially rejected the ICJ ruling. Therefore, what we did today was suggest the need to boost our support for the ICJ, boost our support for its actions, boost our support for international law, and [words indistinct] to all the states.

[Reporter] But there are states, permanent members of the ICJ, that because of their doctrine reject the position of the court. One of these countries was absent from the 28 June, [as heard] session, the day on which the ICJ ruled in favor of Nicaragua.

[Ortega] I will let Father D'Escoto answer that.

[D'Escoto] I am not aware of any state openly rejecting the ICJ's jurisdiction. What we do have is some states, most of them, in fact, who have not accepted the court's jurisdiction and therefore only allot it jurisdiction in certain cases [words indistinct]. However, it is absurd to say there is a state that has total disregard for the ICJ. [words indistinct] that is not correct.

You mentioned the judge who was absent from the 28 June session; I imagine you were referring to the Soviet judge. The Soviet judge could not participate because he had just been appointed to the position and had not participated in the debates. He therefore had no right to participate on the day of the ruling. This is why he did not participate, not because he was absent, as you said. It is very important that you find out what really happened before you ask questions or make statements that are not correct.

[Hawkins] Marion Hawkins. Mr President, your government has said that there were no [words indistinct] with the United States; however, the Nonaligned Movement's bureau has released a communique supporting a reopening of these talks, and draft statements are being distributed regarding the reopening of talks between Nicaragua and the United States. Is Nicaragua offering the United States anything to reopen the talks interrupted 2 years ago?

[Ortega] Yes. Nicaragua has very specific proposals for treaties and agreements that we would be willing to sign with the United States and that establish a framework for mutual security.

[Reporter] [Passage indistinct]

[Ortega] This is a challenge for all the countries of the world. We must prove that respect for the law strengthens [words indistinct] and all the countries of the world want this.

[Reporter] [Passage indistinct]

[Ortega] For your information, political delegations -- including U.S. delegations, U.S. Government representatives, and U.S. congressmen who defend Reagan's policy -- have visited Nicaragua. They meet with Nicaraguan officials and political groups and make statements. They have absolute freedom to do this. Even President Reagan can do this, we have told him so on several occasions. We have told him that he can use the Nicaraguan media. President Reagan's speeches are heard in Nicaragua. We have told him that if he visits Nicaragua he will have Nicaraguan television at his service to speak to the Nicaraguan peole.

[Reporter] What importance do you attach to the support and solidarity of the freindly countries within the UN Security Council?

[Ortega] We consider the attitude assumed by these countries very important. We cannot dispute the fact that the countries that have good relations with Nicaragua, friendly relations with Nicaragua, are very concerned about the situation in Central America, a situation in which Nicaragua is directly threatened. Our efforts are aimed at getting the support of all countries and for these countries to express their support before international organizations.

[Reporter] [Words indistinct] reason for the Nicarguan Government to take the case of Honduras and Costa Rica before the ICJ? You have already explained the activities of the contras in those countries against Nicaragua.

[Ortega] This is all part of the same problem. What is the problem here? The policy of the U.S. Government. They have imposed these (?men) on those countries, on Honduras and Costa Rica, and have established camps of mercenary forces in those countries, even against the will of the governments of those countries, even against the policy of neutrality that is defended and has been made official by the Costa Rican Government. Nicaragua has tried to talk to these two governments to try and find a bilateral solution to the problem. It has also made efforts within the Contadora Group. Witeh Costa Rica, we even worked on a proposal to establish a multinational force at the border area to guarantee stability there. That did not work due to U.S. meddling that blocked that effort. We have made similar proposals to Honduras that have also been blocked by the U.S. Government.

Therefore, what other path is left for us? Given that we respect the law and international [word indistinct] we resorted to the court again to brief it on this situation so that the Honduran and Costa Rican Governments would become interested in finding a solution to this problem.

[Reporter] [Passage indistinct]

[Ortega] I think so; the fact that this case has been taken to the court helps the Central American governments to defend the institutional framework and their rights as sovereign nations to prevent the U.S. Government from occupying their territory to attack Nicaragua.

[Reporter] From the London Business Publications: What impact do the oil restrictions and the blockade have against Nicaragua? What measures is the government implementing to remedy this in the short - and long-run to control this situation?

[Ortega] Yes, the U.S. Government's embargo policy has been highly costly for the Nicaraguan economy. It has forced us to seek other technological alternatives in Latin America, in Western Europe, in Socialist community countries. We are facing those problems in this way.

[Reporter] Mr President, Nora Astorga, your ambassador to the United Nations, was rejected by the United States as ambassador to that country. You appointed her as ambassador to the United Nations. Why was she rejected in Washington and why did you appoint her to the United Nations? Is this not a slap in the face of my government?

[Ortega] I think that the attitude of the U.S. Government is a political attitude against Nicaragua. That is why the appointment of our ambassador was rejected. They were afraid of the message she could carry to the U.S. public. However, we are honored that she represents us at the United Nations, which is an organization that means so much and is so well-recognized by the peoples of the world.

[Reporter] News agency from Nigeria. Would you please comment on reports that you suggested that the wife of LA PRENSA's editor serve a 30-year jail sentence? Would you please confirm this report?

[Ortega] This is what happened: I explained that in the United States people who violate the law as LA PRENSA owners have are tried, jailed, and condemned. We have a recent case involving a spy. The United States is not involved in a war, it is peacetime. A U.S. citizen, however, was captured, charged with espionage, and condemned to two life imprisonment terms plus 50 years in jail.

In Nicaragua, certain people such as LA PRENSA's owners and some bishops such as Bishop Vega have committed treason against the homeland that are as grave or graver than those that can be committed in the United States, because we must take into consideration that Nicaragua is at war. That is, their actions involve treason against the homeland in wartime.

What they deserve is a trial and a maximum sentence allowed in Nicaragua of 30 years, because there is no electric chair, death penalty, gas chamber, or life sentences. That is what I said.

I also said that instead of applying the corresponding sentence, we decided to implement the measure affecting [words indistinct] less. They are free over there; they are not in jail; they are [words indistinct]; they are writing anywhere. This is proof that they are safe in Nicaragua.

[Reporter] Channel 7, THE NEW YORK NEWS. What do you have to say about President Reagan's attitude toward the counterrevolutionaries? How do you feel here in New York, meeting with various groups of citizens who have different views?

[Ortega] I think that here in the United States there are important sectors who understand the Central American problem and who do not approve of their government's policy. I can assure you that, in general, the people of the United States do not approve what already is an interventionist policy against Nicaragua, which will possibly lead to U.S. troops invading Nicaragua, because it would be another Vietnam in Central America. I realize that there are minor sectors supporting the interventionist policy against Nicaragua. However, what I feel is very significant is the increasing concern over the situation in Central America. We hope the U.S. Government will stop to think about the possible consequences of its attitude.

[Reporter] You have been saying that Nicaragua wants to negotiate with the United States. What specific proposals would you make to establish a situation of mutual security? Could you give details of such proposals?

[Ortega] We have proposed a direct agreement with the United States in which we ask the United States to guarantee that it will not threaten Nicaragua's security, that it will recognize and respect Nicaragua's right to self-determination, and that will not use neighboring countries to launch attacks against Nicaragua. On the other hand, Nicaragua will agree to take the necessary measures to guarantee the security of Central American countries, which the United States feels is being threatened by Nicaragua. In reality, Nicaragua is not a threat to those countries' security. We are willing to sign agreements with the Central American countries [words indistinct].

For example, the last proposals we made during the Contadora meeting were very definite proposals on the number and type of weapons in Central America. We proposed a limit on the acquisition of a specific weapons system. We are referring to all types of planes, helicopters, tanks, heavy artillery, military maneuvers, and military advisers along with many other points we submitted. We submitted a proposal in which Nicaragua would agree to [words indistinct] and to see that the five Central American countries start getting rid of foreign military presence in the area. We think that this is very important.

[Reporter] Your government has taken a number of security measures since the approval of the aid to the counterrevolutionaries [words indistinct] the expulsion from the country of Bishop Vega [words indistinct] to get in touch with the Catholic Church in New York. I would like to know if you got in touch with the Catholic Church? If you did, how was it, and will your government resume or hold a new dialogue with the Nicaraguan Catholic Church?

[Ortega] We have always been ready to engage in dialogue with the church. For example, I talked with Cardinal O'Connor when he went to Nicaragua, and we are always prepared to hold this type of contact.

As for a concrete initiative on our part, this has not existed. I think that there has been some mutual interest but up to this moment nothing concrete has resulted from it.

[Reporter] What about the meeting you asked to have with the cardinal in New York?

[Ortega] I have not asked to hold any meeting with the cardinal. I repeat that there has been mutual interest, but nothing definite has been decided so far.

[Reporter] Mr President, is Nicaragua planning on taking legal action against the U.S. Government in a U.S. court, as Professor Abrams indicated, based on the ICJ decision?

[Moderator translates into Spanish answer in English by Foreign Minister D'Escoto] We cannot say off hand what will be our future steps. Yet, you can be sure that Nicaragua in the future, as it has been done in the past and in the present, will always try to resort to every means possible for a peaceful solution to conflicts. This is all we can say for the time being.

[Reporter] You said in your speech that you know that the people of the United States do not want another Vietnam in Central America. What makes you think that President Reagan wants a Vietnam in Central America?

[Ortega] Because the President of the United States is thinking about a quick solution. He believes that a military action against Nicaragua would be a rapid alternative. This is entirely a false belief. A military action against Nicaragua would result in U.S. troops being bogged down in Nicaragua.

[Reporter] Mr President, as you have done before, you are asking for peace talks with the United States. However, this administration does not seem to have the same interest. How do you plan to face this situation?

[Ortega] Well, it is a fact that the U.S. Government's terrorist policy against Nicaragua has not weakened the people's confidence in the revolution and the counterrevolutionaries have not made any advance in Nicaragua. They have only had defeats. Besides, the people in the United States do not approve of that policy; Latin America does not approve of that policy. Contadora has been asking the U.S. Government for a peace solution. The international community does not approve of President Reagan's policy. In view of all this, President Reagan will have to think things over and think about Nicaragua's proposal to hold talks to solve the conflicts and have peace.

[Reporter] Doctor... [corrects herself] Mr President, you have said that Nicaragua has the right to chase the contras beyond its borders. Do you agree with what President Reagan has said about this and do you agree that Nicaragua has the right to chase the contras who are inside its borders?

[Ortega] Well, Nicaragua is defending itself from a foreign aggressor, and we have every right to defend ourselves from this foreign aggression. The mercenary forces have bases in Honduran and Costa Rican territory, and we have asked the ICJ to help us solve this problem by enforcing the law. Meanwhile, we must logically continue to stop the mercenary forces at the border areas with Honduras -- where they have their main camps -- and thus stop them from entering deep into Nicaraguan territory.

[Gonzalez] Roberto Gonzalez of NOTIMEX. Mr President, when President Reagan refers to Nicaragua he talks about the communist threat. I would like to know if your regime is communist or, if it is not, what ideological inclination does it have?

[Ortega] Well, the court has said that if a country has one type of social and political regime this does not give another state the right to attack the first country and try to change its regime. Consequently, President Reagan has absolutely no right to launch an attack against Nicaragua under the assumption that it has a communist regime, socialist regime, or whatever. Anyway, this is a secondary matter; the important thing is that the U.S. Government is violating international laws by acting in this way against Nicaragua. Now then, our regime is a revolutionary regime based on a nonaligned principle with a domestic regime of political pluralism and mixed economy. We call this a popular, revolutionary, and Sandinist regime; if others want to say that our regime has different characteristics, that is their affair.

[Scotland] Sue Scotland, for a Zimbabwean newspaper. Sir, I suppose that you are going to the seventh nonaligned summit in Zimbabwe. What statements are you going to make to this group of 101 member-states and what type of requests would you expect... [corrects herself] would you make after presenting your statement -- under the assumption that you will attend the summit? Also, when you return to the UN General Assembly this year, what will you state at the assembly?

[Ortega] We support the country that will host the nonaligned summit -- this time it will be Zimbabwe -- and the summit to be held in Harare and [words indistinct] Comrade Mugabe. It is obvious that some states are interested... [corrects himself] do not want the summit to be held there. South Africa has already begun terrorist actions so the summit will not be held there. I might add that the summit to be held in Harare -- and Nicaragua will undoubtedly attend it to support the principles of nonalignment -- will be mainly aimed at defending the South African people's rights, because they are currently withstanding a regime of apartheid and oppression; this will be an action of solidarity with the South African people. Nicaragua will obviously support all the resolutions and topics of interest discussed by the nonaligned countries, and will discuss the crisis in Latin America and Central America.

[Seaberg] Phil Seaberg of USA TODAY. You said in your speech today that the Nicaraguan people are willing to die for their self-determination. Could you please give more details on this statement?

[Ortega] Well, the Nicaraguan people have the will to defend their self-determination, and they have proved this throughout these years. They are not easily cowed and they are not cowards, despite the sacrifices, the harsh struggle, and the outlook -- which is not the best. They stand firm, prepared to fight and defeat the aggression. They are also exerting themselves in the producton and social sector to develop the country.

[Bishop] Nick Bishop [words indistinct]. As far as I know, this is the first time that a Latin American country has filed a suit at the ICJ against U.S. intervention. Will this have any consequences on Latin America's future?

[Ortega] This sanction is very important because it defends the legitimate rights of Latin America and the Caribbean, which have been systematically threatened by the United States. The U.S. Government's long list of interventions, occupation of territories, and theft of territories in Latin America and its interventions in Nicaragua are well known.

Consequently, this establishes a very important precedent concerning the defense of the Latin American nations' sovereignty, self-determination, and independence.

[Reporter] Commander Ortega, how many Soviet and Cuban advisers do you have in Nicaragua?

[Ortega] I can state to you that in Nicaragua there are no Soviet troops, there are no Soviet military bases, and no military maneuvers are held with Soviet troops or foreign military forces. We are ready to withdraw all foreign military advisers and instructors in Nicaragua as long as there is reciprocal attitude on the part of the rest of the Central American Goverments. As for the number, I would say that the number of Cuban military instructors -- because we only have Cuban military instructors in Nicaragua -- is a number that is gradually decreasing as they are replaced by national instructors. Right now... [changes thought] the number of instructors, which was larger, some weeks ago, is currently approximately 500.

[Shannon] Don Shannon, LOS ANGELES TIMES. Mr President, you said you would attend the nonaligned summit. One of the problems being faced by that community is the position adopted on the Afghan revolution. You have always sided with the Soviets concerning this controversy. Was this done because you believe the Afghan rebels can be compared with the contras? What is your opinion on this?

[Ortega] We have a clear position on this matter, and we voted accordingly at the United Nations on the Afghan issue. Now, I believe the situation is completely different concerning U.S. relations with the contras -- which are not a government and do not represent a state -- and the Soviet Union's relations with the Afghan Government, because there has always been a government in that state, and the Soviet Union has relations with that government.

[Reporter] Thank you, Mr President.

PROTEST NOTES SENT TO U.S. ON ALLEGED ATTACKS

28 July Protest Note

PA300205 Managua BARRICADA in Spanish 29 Jul 86 p 2

[Protest note sent by Acting Foreign Minister Victor Hugo Tinoco to U.S. Secretary of State George Shultz on 28 July]

[Text] Managua, Nicaragua, 28 July 1986

His Excellency Mr George Shultz, Secretary of State,

United States of America

Mr Secretary of State:

Again I find myself with the obligation of referring to very grave events that I list herewith:

Today, 28 July, at 1330 hours at a place called "Zompopera," located 53 km in the northern sector [as published] of Jinotega Department, mercenary forces serving your government ambushed two civilian vehicles. As a result of this treacherous attack, five civilians were murdered and another three were injured.

The names of the civilians murdered, among which there were three internationalist cooperation workers of different nationalities, are as follows: Ivan Leyvraz, Swiss; Joel Fieux, French; Bernhard Erich Kalberstein, German; and Mario Acevedo and William Blandon, both Nicaraguans.

Likewise, I inform you of the names of the Nicaraguan civilians injured: Juan Avendana, Arnulfo Herrera, and Carlos Lazo.

Faced by military failures, the mercenary forces created by your government carry out indiscriminate actions against civilian targets, encouraged by the operations manual made up by the CIA.

These crimes add to the long list of murdered, injured, mutilated, kidnapped, tortured, and displaced that has been produced by the brutal mercenary aggression against my country. With this policy of force and threats, the U.S. Government ratifies its decision to remain outside the bounds of international legal order and confront the ICJ ruling of 27 June.

Despite the ICJ ruling, issued barely a month ago, condemning the United States for its persistent violation of the most basic norms of international law, these crimes clearly show that the U.S. Government continues to be determined to intensify its official policy of state terrorism against the Nicaraguan people and citizens of various nationalities who are cooperating in civilian activities in Nicaragua. Far from stopping the unfair, immoral war against my country, the U.S. Government increases its military, paramilitary, and interventionist activities in the area, thus dangerously aggravating the Central American conflict.

Those tragic events took place at the moment Nicaragua requested a UN Security Council meeting to motivate a deep reflection on the need to abide by international legal order and the aforementioned ICJ ruling.

The Nicaraguan Government firmly and vigorously protests the continuation of the official policy of state terrorism that has cost many lives and material damage. The Nicaraguan Government holds the U.S. Government responsible for this criminal action. These new actions should make the U.S. Government reflect on the matter so that it will abide by its international duty and the ICJ ruling and stop encouraging, promoting, and directing this type of action, which shows the U.S. Government's contempt for human life and the basic rights of the peoples.

Yours truly,

Victor Hugo Tinoco

Acting Foreign Minister

29 July Protest

PA300442 Managua Domestic Service in Spanish 0305 GMT 30 Jul 86

[Protest note sent by acting Foreign Minister Victor Hugo Tinoco to U.S. Secretary of State George Shultz on 29 July]

[Text] At 2300 on 28 July a group of approximately 30 mercenaries at the service of your government attacked with mortars and RPG-7 rockets the settlement of Panali, 6 km southeast of Quilali, Nueva Segovia Department. As a result of this criminal attack, 1 woman and 4 children were murdered and 26 persons, among them women and children, were injured. The attack also caused damage to property in the settlement.

Just as I reported to you in my note dated yesterday, 28 July, on the same day a few hours before this new crime was committed, a group of mercenaries organized by your government ambushed two private vehicles, killing five persons and wounding three.

Although the International Court of Justice [ICJ] in its 27 June ruling ordered the United States to immediately stop and abstain from all such actions, which constitute violations of the legal obligations established in the ruling, the U.S. Government has persisted in its policy of violating the international legal order.

Following the ICJ ruling, the armed actions, threats, and intervention against Nicaragua not only have not ended, but instead the terrorist actions have continued and increased against civilian targets, and the preparations for the escalation of the war against my country are continuing.

In this respect, the murders and kidnapping of civilians have continued, including citizens of different nationalities, the mining of road used by private vehicles, the attack on vessels and civilian transportation facilities, and the attack on peasant's cooperatives, among other actions of violence and terror, for which we already lodged official protests to your government.

These inhuman actions that have taken place during the past 5 weeks have caused new victims in the aggression launched against my country, including children.

This situation urgently calls for abidance by the appeal made today by President Daniel Ortega at the United Nations, urging your government to reconsider and act according to the international legal order.

The Nicaraguan Government strongly and officially protests these barbaric actions, which undermine the foundations of civilized coexistence and violate basic principles of humanitarian and international rights. For this reason, the U.S. Government must stop and give up its illegal, immoral, and arbitrary conduct and resume the realm of respectful and civilized relations among nations, for which it is necessary to abide by the ICJ ruling.

Signed: Acting Foreign Minister Victor Hugo Tinoco.

Ramirez on Volunteers' Deaths

PA300147 Managua Domestic Service in Spanish 2330 GMT 29 Jul 86

[Speech by Vice President Sergio Ramirez Mercado in Matagalpa during funeral services for the volunteer workers and Nicaraguans killed by counterrevolutionaries near Wiwili -- live]

[Text] Companeros: We have come here this afternoon on behalf of the FSLN National Directorate and the president of the Republic who, as you know, is in New York where he spoke today before the UN Security Council. We have come to bring a message of sorrow, but also of hope, of the Sandinist people's revolution in the face of this crime carried out by the Reagan administration. This has been another of the many crimes of which the Nicaraguan people have been victims. When we speak of the Nicaraguan people we are also speaking of all those brothers and companeros who have left their homes in far away lands to come here and join this solidary and fraternal task of helping the Nicaraguan people. For this reason, they are also a part of our people. [applause and slogans]

First of all I wish to say that with the Reagan administration's terrorist plans to destroy our revolution there is a conspiracy of the CIA, its mercenaries, and its terrorist agents to stop Nicaragua from receiving international cooperation. When the seven FRG companero volunteers were kidnapped on the Atlantic coast of Nicaragua a few months ago, I was visiting Europe on a mission for the revolution. I was able to see how the reports on this kidnapping had been manipulated to such an extent that the terrorists were presented as the kidnap victims instead of kidnappers. They tried to make the people believe that it was a crime to come to Nicaragua to help the people in the rural and poor areas.

According to their way of thinking, it is a crime to come to Nicaragua to build schools; it is a crime to come and help improve the water systems in the rural areas; it is a crime to come to Nicaragua and help build the peasant settlements; therefore, it is a crime for the Nicaraguan people to want to advance in their own revolution.

What we have to say to them is quite simple. Those who want to destroy the Sandinist people's revolution and who murder the children of Nicaragua and the international volunteers, who are also children of Nicaragua, are the real criminals. We cannot say that only those who fire their guns against our people are criminals. The criminals are also those who direct, finance, and plan the destruction of a revolution and a people. They are not only criminals but also fugitives from international justice because they ave already been condemned. The International Court of Justice at The Hague has ordered them to stop their actions. Despite this, they continue to kill and destroy.

To our brother Ivan Claude Leyvraz and to our friends of the Swiss Workers Aid organization that brought Leyvraz to Nicaragua; to our brother Bernhard Erich Kalberstein from Freiburg and to the Friends of Nicaragua Association in Freiburg; to Companero Joel Fieux, who had already become a Nicaraguan, and to his mother who is here with us today; to all of you we say that the revolution will pick up your example and your blood together with the example and blood of our brothers William Blandon Aguilar and Mario Acevedo Fuentes, who were also killed in this ambush in Zompopera. From this podium and facing the bodies of our fallen brothers, we wish to send a message to the world; a message to the countries where our brothers came from.

We wish to say that the opinions of those countries, of the political groups, trade unions, and governments, must be heard. They must condemn this campaign of terror aimed at isolating Nicaragua, at preventing international cooperation from reaching us, and at keeping our brothers from Europe, the United States, Canada, Latin America, and other places from coming to Nicaragua. What we must do is stop the hand of the killer, not the hand of the volunteer who wants to come to Nicaragua. [applause] It is important to encourage the brothers and sisters from all over to come to this country to work, to experience our situation, because this a revolution that not only belongs to the Nicarguans but a revolution that belongs to all men and women of goodwill. What we need here in Nicaragua are men and women of goodwill; men and women who come to work with their hands and with their minds to help Nicaragua advance, just like our brothers who died in Zommpopera were doing.

As I said earlier, this is a message of sorrow but also of hope and above all a message of victory. The FSLN has never doubted that it will win this war. [applause] The Nicaraguan people have never had doubts that in the end their rifles will win. The Nicaraguan people have truth and justice on their side, and truth and justice can never be defeated by crime, evil, and lies. The blood shed in Zompopera vouches for the cause of the people of Nicaragua. It is a generous blood, the blood of men of goodwill. It is an invincible blood.

Free fatherland [people shout: "or death!"]

BELGIAN VOLUNTEER WORKER DESCRIBES KIDNAPPING

PA262356 Managua Radio Sandino in Spanish 1930 GMT 25 Jul 86

[Excerpt] Pierre Diron, the Belgian volunteer worker, thinks that his kidnapping by the contras was due to three reasons: first, to intimidate the internationalists who work on the project at El Chile and adjacent areas; second, to gather information about the operations in the zone; and third, to change the people's opinion about the mercenaries for a possible recruitment of forces in the future. Diron said this during a news conference held today with international journalists.

He also said members of the counterrevolutionary group that kidnapped him came to the town disguised as members of the Sandinist People's Army. Consequently, the people were not afraid of them -- they even welcomed them and offered some food.

The Belgian volunteer worker said he did not learn they were FDN members until he was taken far from the village, where another group of contras was hidden in ambush; he saw their documents and the uniforms they wore, which had the FDN-U.S.A. insignia.

The Belgian volunteer's story indicates that the group of mercenaries sought to gather information from the population concerning the EPS' situation in order to carry out armed attacks on the town in the future.

CASTRO DELIVERS 26 JULY ANNIVERSARY ADDRESS

FL262340 Havana Domestic Service in Spanish 2228 GMT 26 Jul 86

[Speech by President Fidel Castro at a ceremony commemorating the 33d anniversary of the assault on the Moncada Barracks at Sancti Spiritus -- live]

[Text] OK, now its our turn. Distinguished visitors, people of Sancti Spiritus, compatriots, everyone: Following the tradition of the last few years, the ceremony commemorating the Moncada anniversary is assigned to a province based on its work and merits. In this case, and on this occasion, this assignment fell to Sancti Spiritus province.

It is also traditional on an important day like this to dedicate an important amount of time to analyze the revolutionary, economic, and social development of the awarded province.

For the immense majority of those present here, many dates and acts are recognized. This is not exactly the case for foreign visitors.

Sancti Spiritus is one of the newer provinces created by the new political administrative division of the country established in 1976. The area of this province totals 6,744 square km with an approximate population -- because boys and girls are being born every day -- of 414,000 residents. It comprises approximately 6 percent of the national territory and approximately 4 percent of the country's population.

If we take into account that more than half the population of this province was born after the triumph of the revolution -- and there are many young people here, among whom are enthusiastic students who are not always enthusiastic in their studies but always enthusiastic in revolutionary commemoration and always enthusiastic in general -- it is good to recall, and even though it seems unnecessary, it is good to remember what the situation was in this territory before the revolution.

Those who already had the ability to reason, as it is called, before the 1st of January 1959...[changes thought] I can assure you that the city of Sancti Spiritus does not at all resemble the city we visited on 6 January the year we told the people of Sancti Spiritus that the time of the true revolution had arrived.

The territory occupied by this province was one of the country's poorest and most underdeveloped. Its economy was fundamentally based on agriculture, a very backward agriculture where a good number of landowners occupied the vast majority of agricultural land.

During the revolutionary years, the country has invested almost 2 billion pesos to develop Sancti Spiritus province economically and socially. Agriculture used to be almost totally manual. It has become mechanized over the past few years. It has been mechanized considerably. From barely a few dozen rubber-tire and track-operated tractors, this province now has no less than 4,000 rubber-tire tractors and approximately 400 track-operated tractors. There is no comparison between the techniques used in the sugar and rice harvest -- preparing and fertilizing the land, spraying herbicides, pesticides, and carrying out other tasks were all done manually -- with what is current being used.

Since this province has a potential for rich lands, one of the tasks completed by the revolution was the construction of a number of dams, which total five. Among them is the country's largest dam, the Zaza, with a capacity of over 1 billion cubic meters of water. With seventy small dams, or microdams as we call them, the area under irrigation has been increased considerably, reaching approximately 40,000 hectares of land. One of the country's largest and most productive rice fields was developed in the southern part of the province. Two hundred eighty different kinds of dairies, hundreds of additional cattle pens, and tens of poultry and swine production centers were built in these years. Cane fields were rotated and expanded, and new varieties were introduced.

Efforts were made not just in the area of agriculture. The industrial sector showed considerable progress and became the province's main source of production. The 300,000-arrobas Uruguay sugarmill was expanded to a 1-million arrobas capacity. It will be expanded further until it reaches 1.4 million. It will be one of the largest in the country. The Feneta sugarmill was expanded and modernized. Most of the province's sugarmills had their machinery replaced and modernized. Sugarmill railroads were modernized. Twenty-five collection and processing centers were built. Hundreds of cane harvesters were introduced and allowed to mechanize up to approximately 65 percent of the harvest. The number of canecutters in this province was reduced from approximately 20,000 to 3,800 as a result of the mechanization of cane cutting and collection -- where harvesters had no access -- and the mechanization of collection centers, which increased work productivity thus humanizing one of the province's most difficult jobs. The construction industry made progress. A new cement factory was built during the first years of the revolution. It has an annual production capability of 670,000 tons, which is equivalent to two-thirds of the total cement production capability of the country at that time. Important rock crusher plants [molinos de aridos] were installed -- two of them -- four sand washers, two "grand panel number four" prefabricated housing components plants, two general prefabricated component plants, block factories, and other installations.

In the foodstuff industry, two new and modern rice mills, eight drying rooms, the Rio Zaza foodstuff plant, the Sancti Spiritus slaughter house, the modern Trinidad factory which produces export candy, soft drink plants, and other facilities were built. Protein was produced using molasses. One of the most important industries was the recently built -- at a cost of over 240 million pesos -- the Panchito Gomez Toro paper mill, in Jatibonico, which is now the most modern as well as the country's largest producer of paper pulp and paper. It will allow us to satisfy national needs and to export the surplus.

The 110,000-kw electric power lines have tripled. The 33,000-kw power lines have grown by five. This is not all. The construction of what may be the largest industrial installation of this province in the energy field has begun. It is unique in Cuba. It is the hydroaccumulator in Fomento, in the Escambray Mountains, the cost of which is calculated at 400 million pesos. It will complement the Cienfuegos nuclear power plant. I remember that, on the occasion of the 26 July celebration in that province, I tried to explain what a hydro-accumulator is. I know that many know what it is. I know that others hear the words but do not know their meaning. The hydro-accumulator is really interesting. It is a hydraulic installation. At certain hours of the day it consumes electricity, and at other hours it uses electricity. [sentence as heard] But if we bear in mind that the Cienfuegos nuclear power plant will have four reactors, each producing more than 400,000 kw, and that it is a product of Soviet technology that is being built with painstaking quality and with great security guarantees, we can affirm that the power plant will be safer than any of the nuclear power plants that have been built in the United States. [applause] It will have a greater number of skilled engineers and workers than any nuclear power plant in the United States, and a safe technology that has been tested internationally.

I had occasion to express this in a letter to a U.S. legislator from Florida who, with great respect and without the arrogance which some of these gentlemen have accustomed us to, wrote to me as a neighbor, asking about the security of the plant. In the same spirit of respect with which he wrote, I answered him, giving ample explanations about security matters and guarantees concerning our perhaps one day soon it will be advisable to publicize that letter; I do not know what he has done with it. I hope he has received it; I sent it several weeks ago. But in that letter I told him that, as neighbors, we were willing to give him that information. However, as neighbors, we also expected him to give us information about security matters and guarantees of the nuclear power plants of the United States. [applause]

I mention this because it is germane -- we were talking about the hydroaccumulator -- and because after the accident at Chernobyl in the USSR, some tried to create an uproar over this matter and began to create an uproar over the construction of the Cuban nuclear power plant in Cienfuegos which, I repeat, is being built with all the guarantees and with an absolutely safe technology. But, above all, it is going to have personnel with an extraordinarily high scientific and technical level because we have been training them for years. These reactors function all year. It is not like a thermoelectric plant that is fired up at a specific hour and shut down at a specific hour according to the demand for electric power. These four reactors will function constantly, all four, except when a reactor is shut down for maintenance each year. That is, there will be a period when three will be functioning and the other will be undergoing maintenance.

But in general all four will be working all year. As you know, the consumption of electricity is not the same during the day. It also is not the same during the whole year.

When this work is completed, we will use more electricity. The so-called peak hours when all lights, television sets, irons, fans, and domestic appliances are all turned on at the same time is when the electrical demand will be enormous. The demand decreases at dawn when it is much less. The demand is less during the day then during the peak hours which fluctuate between 1900-2200, depending on the time of year. The country needs to have installations for those peak hours, not for an average but rather for the moment of maximum demand.

Those four reactors will have a very high rate of electrical production even through they are transmitted to the western, central, and eastern parts of the country. When three or four reactors are operational, there will be a surplus of electricity at certain moments. This electricity needs to be used at that time. Naturally, if the country develops production installations, for example for special tractors, electricity can be used for that kind of production during those hours.

Clearly, however, the availability of electricity does not always correspond to the demand. What should be done then with that extra electricity?

The hydroaccumulator is a dam that has pumps to force the water up as well as electrical generators to produce electricity similar to the generated, for example, by the Hanabanilla hydroelectric center. When there is surplus of electricity, the hydroaccumulator pumps the water up and when there is a lack of electricity during peak hours, the hydroaccumulator lets the water fall and produces electricity.

If the four reactors had a capacity of 1.45 million kilowatts during peak hours, their production would be added to the electricity from the hydroaccumulator, which had accumulated water and at that moment was also producing electricity. At a certain time of the day, they could be using almost 2 million kilowatts between the four reactors and the hydroaccumulator.

I am not an engineer, so you will have to excuse me if my explanation is not perfect or even less, but I hope that the people of Sancti Spiritus clearly understand that the hydroaccumulator will serve the peak hours and will produce hundreds of thousands of kilowatts per hour during that time. It will also save the country hundreds of thousands of tons of oil a year. It will reduce the country's thermoelectric needs. When everything is operational, the less-efficient thermoelectric centers will be stopped. They will only be used at peak hours when they are needed. The electronuclear center will be the fundamental source. The more-efficient thermoelectric centers will be operational and will also conserve much combustible fuel.

This is better understood if I tell you, for example, that there are still some plants in the capital of the country that consume 400 grams of petroleum, which is almost one-half a kg of petroleum per kilowatt. We have more modern thermoelectric centers that use 230 or 220 grams per kilowatt which is less than one-fourth a kg of petroleum needed to produce 1 kilowatt of electricity. It seems to me that it is not necessary to explain to the people of Sancti Spiritus the importance of electricity to the development of the country. We know that nothing moves, not one hospital or its staff, not one school, cold-storage plant, or factory. Nothing moves in a home without electricity and there is no possible development without electricity. That is why the world needs to find new sources of energy since the supply of petroleum is limited. It will become exhausted. The tendency of oil prices, no matter what the fluctuations and falls are as is the case with the current price, is to rise. Oil is lost this way. One can say that a very important natural resource is burned, utilizing only a small percentage of energy. The energy contained in a ton of petroleum is reduced by one-third after it is processed at a thermoelectric center. What reaches the consumer is less than 30 percent of the energy contained in the petroleum.

It is possible that humankind will someday regret the manner in which it has wasted this excellent natural resource that has many other uses, more logical and rational than to be wasted producing electricity. When the countries have coal, they have another important resource. Europe, the United States, and the USSR are rich in coal. There is a large number of countries that have coal. Unfortunately, our country is not rich in coal.

There are countries that have large rivers and can dam them to produce electricity. As you all know, our rivers are small and very short, and the most rational use that can be given to water is precisely in agriculture, in the production of cane, in the production of rice, etc. There were very few big forests left in our country, they had been demolished.

That is why for our country the use of this new energy source, nuclear energy, is essential, because we do not have any other alternative. During the first years of the revolution there was no way we could think about that, because we only had a capacity of some 350,000 kw and just one of these reactors has a greater capacity. Small reactors were not being built and are not being built. The smallest being built today is more or less at this level, around 400,000 kw. If the country had installed one of those reactors, and in addition we would have had the economic resources to install it and the technical capabilities to operate it, the day the reactor was shut down for maintenance the country would have been without electricity. Now it is possible to have one, two, three, or four reactors because our capacity has multiplied by about 15 times, that is, the capacity for producing electric energy.

That is why we are still building some thermoelectric plants, however, in the future we will only build nuclear power plants. This plant alone will save the country some 2.6 million tons of fuel yearly. If we include the hydroaccumulator, I estimate we will save more than 3 million tons of fuel a year. What does 3 million tons mean? How much do they cost today?

How much will they cost in the future? It could be said that for every 3 million tons of fuel, 10,000-ton tankers would have to make 300 trips, or 100 trips by 30,000-ton tankers. On the contrary, only one freighter need only make one trip to bring a container with the nuclear fuel needed by our Cienfuegos nuclear power plant.

Please excuse me for having taken so much time explaining the energy issue, but I wanted you to be aware of the importance of the hydroaccumulator that will be built in Fomento and which, I repeat, will be the most important industrial installation of the province. [applause] Of course, there will be all the electricity Sancti Spiritus needs. We hope you will try to save it and not use it all. [applause] I stopped at the point when I was referring to the province's industrial development.

You also know that Trinidad's "Pulpa Cuba" plant, inaugurated in 1959, has been modernized and expanded during these years of revolution. A lot of work has been done in other smaller industries in the province. Likewise, in recent years the fishing industry production has markedly increased. Today Sancti Spiritus' fishing industry complex in Trinidad has 106 vessels where the fishermen work.

You also know that this province has a great tourist potential, that tens of thousands of foreign tourists visit this province every year because they come here looking for beauty, historic places, and the architectural style of the old buildings. This city was one of the first founded in Cuba. It is as old as Baracoa and Santiago de Cuba. Fortunately, the revolution had the opportunity to rebuild those historic values, the so-called historic shells, as Havana has done, Sancti Spiritus and Trinidad have also been doing. Our people with a greater culture now have the possibility of recognizing the importance of these values. Thus, tourism is one of the province's potential resources which has been developed and should continue to be developed increasingly more. Six hotels and motels have been built for international tourism, and the Ancon Hotel on that magnificent Ancon Beach, near Trinidad, which will have more than 200 rooms, is under construction and will be completed by year's end.

Also during these years we have worked on reforestation, with 50 million trees being planted. All these efforts -- in the economic development which is basically the one I have been referring to -- have caused this province's production to increase five times during the years of the revolution. With this information, I myself was thinking about which areas had grown the most.

In the area of agriculture [changes thought] the sugar industry in general, agriculture and sugar industry. [sentence as heard] This province's current sugar production is twice that reached during the years of capitalism, not only because sugarmills and fields have been expanded but because the harvest season is longer. Before, the harvest season was 90, 100, or 110 days. Now it is 130, 140, 150 days, even longer. We are doing much better in using the facilities, which have also been expanded.

I already mentioned what we did at the Uruguay sugarmill which was expanded to the equivalent of three sugarmills. That is, sugar production doubled. [sentence as heard]

Other kinds of production grew even more. For example, poultry production increased sixteen times. Egg production actually increased over 100 times. During that time, egg farms, not including the peasants' egg production, produced less than 1 million, around 500,000 or 600,000 eggs a year. Currently, 84 million eggs are being produced. So you figure out how much it grew. One can say 50, 60, 100 times as much and one is not exaggerating. [music heard]

What is this music about? [applause] Oh, the clock? Thank you for reminding me that I have been speaking about 30 or 40 minutes. I have to take this into account. I hope that does not happen every 15 minutes. Am I right?

[Unidentified speaker] Every hour.

[Castro] It happens every hour. Well, I will be glad to be reminded if I have not ended by then. [laughter] Well, swine production grew 18 times. Very importantly, rice production increased 18 times. That production has currently reached around 125,000 tons of wild rice a year. There is a rice field that produces over 1,200 quintals per caballeria. It has considerably increased the productivity per hectare. Comrade Bernal was telling me that this year it may surpass the 1,250 quintals per caballeria.

Construction material and cement production cannot be compared because cement was not produced here. It has increased many times. Not only construction material production but also construction projects have increased.

Now that the paper mill has opened, figure out what it is going to contribute when it is in full production. Later, we will have to add what the hydroaccumulators produce, etc. etc. I hope we can continue to grow the same way we have so far and, if possible, more.

I have talked about economic development. But there has also been an extraordinary social development during these years. If you are a little patient I can tell the people from Sancti Spiritus and our guests [applause] what the social development has consisted of.

If you want to, we can begin with education. This is very important for the young ones, for those students who are not always enthusiastic with their studies. Although the ones who have come here I believe have won awards because of their merits, the Augusto Cesar Sandino School [applause] received an award. I was telling them that I considered that a homage to the 7th anniversary of the triumph of the Sandinist revolution which was just commemorated on 19 July. [applause] Previously we did not have these healthy youths going to school the way we do now. On the contrary, there were thousands and thousands of 9-12 year old illiterate children. They were working under poverty conditions when there was work in the sugar fields and the countryside. According to historical data, the province had a 65-percent illitaracy rate. Over 70 percent of the children between 9 and 12 years of age were illiterate.

I do not believe anyone doubts that the situation has changed radically. Today the province has, I believe, 670 primary schools of different sizes, some large, some small. In the mountains they are smaller and sometimes isolated because it cannot be helped. The province has 44 basic secondary schools. I do not know how many it had under capitalism, but I imagine there were very few. The children did not reach third or fourth grade. It has 44 basic secondary schools.

The province has 12 preuniversity schools and 3 vocational schools, including the Camilo Cienfuegos School, a preuniversity school also, making a total of 15 preuniversity schools. The province has 19 technical and professional schools thanks to the effort made during these years and to the literacy campaign, there is no illiteracy in this province. Not having completed the sixth grade is to be almost illiterate. But fortunately we can say that the majority of the workers in the province have completed at least the sixth grade, and many have reached grades higher than the sixth. I will give more information on this later.

As a result of this effort, 97.3 percent of the children between 9 and 12 years attend school; 97.3 percent! Furthermore, 87.1 percent of the adolescents between 13 and 16 years attend classes in those secondary, preuniversity, and technological schools. Could we have dreamed of this prior to the revolution? Would it have been possible for all these young people who were born after the revolution to have this opportunity to study without the revolution? We would like them to think about this. Because the generation that preceded them -- their parents, uncles, grandparents -- did not have this possibility. They couldn't even dream of it.

You know well that only a few families could send their children to an expensive private school that was beyond the possibilities of the workers. Now there are laws that protect adolescents, sometimes even to an excessive degree. They establish the minimum age of 16 to go to work as a professional. Youths are protected, adolescents are protected. Many children used to have to drop out of school to earn a living some way, and sometimes they even had to beg.

In the province, there were no centers of higher education. They began to exist with the branch of the Jose Marti University, the first one where hundreds of residents of Sancti Spiritus have graduated. Then came the branch of the Higher Institute of Physical Education. Then came the Higher Institute of Economy. Then the branch of the Higher Pedagogical Institute, and then the Higher Pedagogical Institute itself, and now, the School of Medicine. [applause] In Sancti Spiritus, anyone who had spoken of this in 1956 or 1957 would have been called crazy. We now have a school of medical sciences where the doctors of the province are trained, and specialists are also trained, which is of great interest.

There wasn't a single special school in this province for children with problems. Today we have 24 schools with almost 3,000 students, and they are so necessary, so vital. The families whose children need these schools know how to appreciate what they are.

There was another great revolution in the field of public health. It is my understanding that in Sancti Spiritus there was an old building that had been converted into a general hospital, 7 first-aid stations, and 14 private clinics, that is all there was, with 182 doctors, which I suppose included those from the tuberculosis hospital which, when the battle against tuberculosis was won, was not needed, and 40 dentists, most of them in private practice. Who knows what the infant mortality rate was? It is estimated -- a very noble, very conservative estimate -- at somewhat more than 60 per 1,000 live births. It was certainly higher than that but statistics were not kept. The people died and the deaths of the children were not even recorded. In Sancti Spiritus, infant mortality may have been between 60 and 100 per 1,000 live births. Life expectancy was barely 50 years. That is how things were before the triumph of the revolution in this province.

What can we count on in this province, in this territory? There are 5 general hospitals, 2 clinical-surgical hospitals, 1 pediatric hospital with a modern intensive care unit which has modern equipment and is perfectly maintained, 2 obstetric-gynecological hospitals, 1 maternal-infant hospital, 12 rural hospitals, 19 polyclinics, and if I add the new Jatibonico polyclinic it would make 20, and 7 dental clinics in addition to the services rendered in more than 30 centers -- dental services are not just rendered in those 7 clinics but also in more than 30 centers. Now they have the hygiene and epidemiology center and the family doctor program to complete this scene. There is a new pediatric project. The cement has been laid. When an opportunity arises, every effort will be given to this.

There are certain deficits in Sancti Spiritus, Marianao. Ciego de Avila, and Vayamo. Those four projects have not received a great effort because of economic difficulties. However, the time will come when we will promote the construction of those new pediatric centers. Meanwhile, services are being rendered.

The family doctor has now appeared. If you have within...[changes thought]. Supplying the entire province with doctors will be delayed approximately 10 years. Since your university is new, few doctors are graduating. I think they have 12 in Fomento. [unidentified voice confirms that there are 13] There are 12 in Fomento, and there will be 20 more in Fomento. After Fomento has 20 doctors, Sancti Spiritus will receive its first 12 doctors. Escambray will have its moment. The mountains in Granma have their family doctors. [unidentified speaker's words indistinct] There are 17 doctors in Fomento, that is correct. At the end of this year, in October, all the mountain and rural areas of Guantanamo will have their family doctors. This is truly revolutionary.

You at the university will create what you need. If you like, I can calculate it for you. If there is one family doctor per every 600 ... If within 10 years -- I do not expect that you will grow that rapidly, there is no rush -- if you had 400,000 residents, you would need 800 family doctors plus a reserve. You have the faculty and you will continue to expand it and possibly receive aid from other provinces so that the movement can keep the same pace.

We cannot expect that you alone will train all those doctors, and we will have to give you some help, as it has been given to Granma, as it was given to Santiago, as it has been given to Guantanamo, as it was given to Havana, as it will be given to Santiago de Cuba, and will be given to Havana next year, because by next year we plan to have family doctors in all the mountains of Santiago de Cuba, and in practically all rural areas.

These are very important achievements. A total of 12 new specialties that did not exist before have been brought to the province. Maternity care centers [hogares maternos] have been established as well as other institutions that have made possible a fabulous thing: the reduction of infant mortality in the province. This rate had been dropping as it does throughout the country, but it was over 15 percent. However, during the first 6 months of this year -- that is, so far this year, I am not certain if it is up to 30 June...[unidentified speaker corrects Castro: "It now stands at 10.3 percent"] Good, I am glad, today, 26 July; that is excellent. You had already heard what it was before I did not have today's figures. The rate was at 11.2 percent.

We can tell Mr Reagan about this so he might stop talking stupidities and foolishness, as he usually does. During some petty political meeting over there in Miami in support of one of those candidates, he said that someday our people might work in freedom. To talk such banalities at this stage -- that is idiotic, it makes me laugh. [applause]

But I can tell Mr Reagan: Just imagine how freely these people have worked, and without having done everything they should have. The truth is that it has not been so much a question of working in freedom, as it has been one of freedom of not working all that is necessary. I can tell Mr Reagan that right here in Sancti Spiritus, in this province that is one of the poorest ones of the country, there was...[changes thought] This was one of the poorest and most backward provinces, where 65 percent of the population was illiterate. Today, there are fewer illiterates here than in Washington, and fewer illiterates than in New York. [applause] It is then inferred that it was necessary to work, as we have worked in these yars. I repeat, we have not worked as much as we should have.

I can also tell Mr Reagan that in Sancti Spiritus, there is a lower infant mortality rate than in New York and Washington, than in the United States. [applause] To commemorate with all dignity this 26 July, this province has a rate of 11.2 percent, and today, 26 July ... [corrects himself] yesterday, 25 July, there was a rate of 10.3 percent. [applause]

The United States has a higher rate. That is why I am saying we are going to beat them. We are going to leave them far behind, in health rates, in the outlooks of ... [changes thought] I can also tell Mr Reagan that thanks to the revolution, life expectancy in Sancti Spiritus Province now stands at 75.3 years, [applause] and we are going to continue improving this. Just wait until we have more experience, when those hospitals are operating fully, when we have a family doctor everywhere, in the rural areas and the cities. Just wait until these rates start dropping.

There are certain factors that might exert an influence. However, just the fact we have reached those levels is truly astonishing. I also know you have worked hard these days in prenatal genetic laboratories, and that will help discover in time any congenital malformations that might result in interrupting a pregnancy. This will prevent the tragedies that some families have to suffer. All this will help reduce infant mortality.

In addition, the provinces's cardiology center has been inaugurated in Santa Cira, not far from here; and the William Soler Cardiology Center will be inaugurated next August in Havana, to provide service at the national level concerning cardiovascular surgery for children and thus save many lives. We will establish other health programs and, based on your example, we do not doubt that one day we will lower that 10.3 percent. Well, this will turn our country into another power. Could anyone have dreamed about this in 1958 or 1957? Did capitalism do anything in this country? Fat chance! What has it done elsewhere? What have they done for the countries where they have their capitalism, the capitalism which Mr Reagan adores so much? That is the capitalism of the big landowners, the machete plan [plan de machete], hunger, unemployment, disease, and illiteracy.

Well, we have achieved extraordinary social progress. We have developed our people's general culture; the 8 municipalities in this province have 10 modules, their own cultural modules from 10 institutions -- all 8 of them. [laugh] I think that you are more advanced than the rest of the country in many things. Let me tell you: Havana does not have this index of infant mortality; it is under 15 percent this year... [corrects himself] right now, but yours is much lower. Granma was even lower, with 11.1 percent; I believe that the struggle will now be between you and Granma, because you have the lowest percentages in the country. Two of the poorest and most backward provinces [laughs] with an index far below that in the United States.

Well, we said that you had cultural modules in all the municipalities. The library... [changes thought] there was one library in Sancti Spiritus Province... [corrects himself] throughout the territory of this province. You now have 14 with approximately 200,000 volumes; 616 groups of amateurs with 80 physical education instructors. You may wonder how I can remember these figures but, let me tell you, these figures are impressive. If a person is used to handling these figures, and then sees a figure like this and remembers what is happening everywhere... [changes thought] there are many countries... [changes thought] 200 children die during their first year in many Latin American countries for every 1,000 who are born there. In other countries it is 150 children, or 100 children; nothing like the levels that have been achieved in Cuba. No, no way. That is why one remembers these figures; that is logical. We constantly read the news from other countries concerning unemployment, illiteracy, etc.

Sports have been developed. Can anyone deny this? Does anyone doubt this? There were 66 sports installations, and we now have 504 installations. Sports are really an activity for the masses. You are quite developed in this, you have developed baseball a lot. You should develop other sports, too, not only one; for example, soccer. The installations can be used for this Pedrito Miret, who is a soccer fan, would be enchanted with this.

The few people who defend soccer should be more. You have built the Cabaiguan Stadium with lights and all; and the one in Yaguajay, and in Jatibonico. I also know that you are impatiently waiting to see the one in Sancti Spiritus completed. [applause] As a result of this economic and social development, the province's employment levels have increased. Let us see, if there were 40,000 jobs in 1958, according to the latest figures, there are now 163,800 jobs in the province. Perhaps Joaquin will say that this has increased in recent days; he may say that it rose to 164,000 on 25 July. New things happen every day; new things are being built, new acitvities are being carried out. The employment index has increased four times; consequently, the population increased 40 percent, and employment increased 300 percent in Sancti Apiritus. The population increased 40 percent and employment increased 300 percent [repeats himself].

Women joined the work force; this offers new opportunities. Consequently, more than 50,000 women have joined the work force nowadays, and 32 percent of the work force is comprised of women. Furthermore, 53.4 percent of the technicians in the province are women, who work as nurses, doctors, teachers, engineer, [applause] 53.4 percent. They are a majority in the technical sector; that is quite an achievement. We might ask if this is the situation in the United States, and who knows what they would answer; we might also ask if this is the situation in the other Latin American countries. We could ask Mr Reagan what he knows about this, what news he has about this -- given that he is so worried about us.

More than 22,000 workers of the 163,800 who are working in this province are technicians, and 8,400 of these have a higher education; in other words, they have graduated from universities and higher institutes. These are evident results of the efforts exerted here.

There is something that I forget to mention, [laughs] and now I am seeing some buses over there and they reminded me of transportation. I do not want anyone to get angry because they may think that I have underestimated that sector or forgotten it. I recall that this province had 60 buses. Approximately 10,000 [number as heard] trips a day were made. Today we have 8 times that number of buses and 14 times the number of trips per day. The people of Sancti Spiritus travel at least 14 times more than the people who live in the capital city. Then we have the school buses; there are at least 170 school buses in this province. However, this is not the only area in which the people of the province have worked. No.

The cooperative movement is developing; the results are good. There are 71 cooperatives. Approximately 55 percent of the land that does not belong to the state belongs to cooperatives. Production has increased considerably. Of the 71 cooperatives 57 have power. Several thousand houses have been built, and we hope that this cooperative movement will be promoted as it deserves and needs to be.

Lastly, a very big effort has been put forth in the area of defense. We had the honor of presenting the ready for the defense flag here. A few days ago Companero Raul inaugurated an important training center for the Territorial Troops Militia [MTT] and I know that one out of every three inhabitants -- everyone included -- is active in the militia. I am including the children, they cannot be militiamen, but they are counted among the 414,000 inhabitants of the region, and one out of every three inhabitants are active MTT members, or members of the production and defense brigades, one out of every threee inhabitants. The entire province is ready for defense, every municipality is ready for defense, every zone is ready for defense.

Companero Bernal was talking about this a while ago: He said that there are now shelters for practically the entire population of Sancti Spiritus -- in the schools, factories, everywhere.

In other words, this has been taken seriously. Take note of this, too, Mr Reagan, take note. No one can threaten us! [applause] No one can threaten us!

We have spent lots of energy and resources on this; do not forget how much has been spent in this project of the revolution -- sweat, energy, resources of all kinds. We have had to spend enormous resources in the defense throughout the country. Had it not been for the imperialist threats and aggressions, all this could have been invested in constructions, houses, schools, factories, etc.

Mr Reagan, we have taken not of this, of the sacrifices that the imperialism has forced upon our people with its intentions of maintaining its hegemony over the Latin American and Third World countries.

To all of this we must add, and it would not be right to forget it, the enormous efforts made by the Sancti Spiritus Province on the occasion of this anniversay, the 33d anniversary enormous efforts. I have mentioned some of the things, but have not been able to speak of all of them, nor would I have the time to speak of all that the people of Sancti Spiritus have done in these past few months. Dozens of very important projects and hundreds of other kinds of projects. These include the effort made to finish the construction of the school of medicine -- and it is all but practically finished. I went by there, and I saw the students and all that. It is a beautiful school of medicine.

They also made a huge effort to finish building the airport; the expansion of the airport. We hope that they will continue to work on this airport and that soon it will also have lights, so that the people of Sancti Spiritus can travel by plane during the day or night.

We have also seen the efforts made to finish the EIDE [School for Sports Beginners], to finish the 12-story building, the 10 apartment buildings, the cleaning of the El Yayabo Rive, the first phase of the aqueduct system -- and I understand you have accomplished this. I have heard that the 180 liters per second you were supplying has been increased to 600 liters per second. You are better off than Havana. In Havana we do not even get rain. No rain, and that is putting it nicely. We have had drought after drought and this spring has been a dry one.

They do not have the privilege there of having these rivers you have nearby here, but it is great news that they have the rain. The little companera read what you had done and perhaps this is one of the most important works there is. The airport is important, and so is the 12-story building, and the EIDE. Regarding the EIDE, I think you have the highest per capita sports registration of any province in the country with this school with an enrollment of 1,000 students. Who would have dreamed of this? But this is really great news. The province has made an intelligent effort. Well they were given a certain amount of money, and they used it for classroom purposes to implement this double session [doble sesion].

Sometimes, in some years, they only had a 14 percent students enrollment in the double session system. [applause] You had already reached approximately 55 percent in the double session system. You will take a giant step, from 55 percent to 99.2 percent, in this system in the next school term. [applause]

I believe that no other province in the country has that percentage. We would have to compare it to Havana or Matanzas, but I do not think either of them has really taken such a giant step, with such tremendous inplications for education. A special effort was also needed in the field of education, that is, in the sense of quality. It was a big jump in quality. We have undoubtedly progressed. We cannot deny that. However, we cannot be satisfied with what has been achieved. We still have some gaps in education.

You have seen what has happened, when the secondary school tests and the pre-university tests became more demanding, because of laziness and tolerance have existed ever since awards were granted based on the number of students who passed. The quality of a professor was measured only by the number of students who passed, not by the quality of his classes and the demands he made. That is how the quality of a professor should be measured. As a result of this, there were students who earned easy grades. There were very kind professors who sometimes passed the test material on to the students. The student who was not a fool could figure out what was most important and then devote his attention to that.

There was always some sort of guidance in the classroom, but that does not really help students to study hard. Now, more demands are made. Now the professors giving the tests are different professors. The tests are more difficult, and, as a result, the passing rates in certain provinces are low. In Havana the rate was about 69 percent, in Santiago, approximately 70 percent, for both secondary school and pre-university. A situation had developed which we analyzed carefully.

I am afraid that it is not only the fault of the students, but, to a great extent, of the professors also. Taking this situation into consideration, it was decided for once -- and only for once to increase the demands at schools. Therefore, we have an entire year ahead so that everyone will know that the demands in schools are increasing, and will continue to increase. This is a problem that was brought up at the third congress, that is, the need to make the schools more demanding. There was a gradual increase in this. Before, a student could be promoted with two failures. Later, he could be promoted with only one failure, but now the student is not allowed to fail. This demand level is necessary for development, necessary for the future of the country; it is necessary that we require more all the time in education. That is why the decision was taken now.

One month will be given for studying before the make-up test. The ministry has already issued the instructions: Prepare the students to prevent their...[rephrases] to avoid their getting the blame in this case. Give them another opportunity so they can study hard during their vacation time; study hard because the tests are going to be hard. The students who did not pass last year, should then be able to pass, and a certain amount of time should be given to students, relatives, teachers, everyone, so that from the very first day of classes, of the academic year, they should begin a demanding schedule.

The fact that we already have a double session system, weakens us, aside from the fact that it creates problems at home, as there are some children whose parents are working and the children are wandering the streets. [sentence as heard] No longer will there be primary school children wandering in the streets at a time when they are not in class. They will have more time to get involved in organized activities, to read, study, participate in athletics, etc. That is why you are at the vanguard. You have already been outstanding in recent years in primary school education, and now with the two sessions, you will be able to defend the position you have reached. It is going to help you very much in the secondary schools, the pre-university, technical, and professional schools, in the university. It is an important achievement, and very good news. You gave me the album, and I must say I really appreciate this gift very much.

As we say in the National Assembly and elsewhere, we have been trying to find resources for the eastern provinces, which were the most backward in this sense. You have shown here that it can be done, and without great resources. If with only 2 million [currency not specified] you have completed projects which are worth almost 4 million; [applause] you only had a budget of 2 million, how did you manage to perform this miracle? You have completed projects worth 4 million with the support from the masses, the workers, the people, with the work and cooperation from the people.

Here you have an example, an example [repeats himself] that volunteer work is golden, [applause] that the cooperation from the people is golden, [applause] because you have managed, you have managed to build 20 schools, 20 schools in a few months. I see that those 20 schools have 162 classrooms. In addition to that, you have build 250 classrooms for double sessions. In all, you have built 413 [as heard] classrooms in a few months -- we could say in a few weeks -- with the cooperation of the people [applause]

This demonstrates that this is the way to truly build socialism. Are we going to speak now about the nonsense or foolishness that only with money or by waving money at the people [can we] move them to achieve these feats? Lies! People are corrupted and alienated in that way, as capitalists do with workers. In addition, 71 classrooms for educational workshops, for work training [education laboral] 56 libraries, and 52 sports areas were built, we could say, in a few weeks. This truly deserves recognition and admiration. I am not going to say that everything has been perfect in this province, far from it, or that work these years has been perfect. I am fully aware that this has not been the case. Some of the widespread foolishness also happended here. We have to speak the truth. This is not the province's fault. We cannot fault the province for that. If there are some highways -- and I am familiar with them because I have visited all of them at one time or another, I have visited all of those projects; I visited the Zaza Highway several times when it was under construction. [sentence as heard] In Lebrije -- in fact, I was reminding (Quino) of the night when the workers saved that dam which was under construction by using sand bags. Building and building quickly, [applause] building quickly [repeats himself] and closing the duct [vaso], because that dam, worth over 100 million [currency not specified], was bursting, and had it burst it would have collapsed, but the workers saved it! There, early in the morning, in a torrential rain, and in the mud, at the edge of the sustaining wall they raised the dam with sandbags. Now I know when these dams were built. Other times came later, other concepts, other views, which were mistaken. We had to spread the budget a little for each project. And so, the Iuinicu dam is already giving us water for 15 million [units not specified]. It has already been in operation for 10 years. I know that some projects have been stalled. The Pitajones-Meyer road, which was begun on several occasions -- the bridge had already been built as well as everything around that area -- has been stalled for 10 years. No one knows why. Then came the administrative political division and the theories. No one knows what happened to that bridge. Before leaving Sancti Spiritus, I hope to find out a little about what became of it.

I visited that highway several times, the one we had planned, linking Yaguajay, Chiquima to here in Sancti Spiritus, the famous road from Fomento to (La Sierpe). Now we know what the difficulties are. In (La Sierpe), we have to build a bridge. As a matter of honor, we will have to begin the work as soon as we can. In Pitajones, let us seek some resources to see if we can link Yaguajay with Sancti Spiritus. Let us see what can be done with what we have. Still, some real stupidities existed, to the effect that these roads were not needed. The bridges, a few here and a few there, were like gypsies running from one project to the other. A few pesos here, and there, and there. All that nonsense. Still, I have the deepest faith that we will be able to overcome this with our ideas about a constant building process.

I was telling Comrade (Quino), and I advise all Sancti Spiritus residents now, that immediately after these celebrations are over, they should go quickly back to work again. [applause]

We have to finish these projects. We have to finish that building [not further identified], the others, and what remains to be done, the small details of the medical school.

We have to continue working in everything, everywhere, in aqueducts and the rest. Do not begin any new project; instead, continue with the exicting ones and conclude them in the next months. One should say that this and that project has been concluded. That is what counts, do not just go by the number of unfinished projects, because some unfinished projects such as the nuclear power plant, Moa, and the hydroaccumulator take years and will increase the number of projects under construction, rather, not the number, but instead, the number of millions [not further identified] under construction. All projects that are completed are an important statistic, a building there, the EIDE. We should not return to them. Finish the medical school facility, and so on with all the other things. Finish the polyclinic center. If you build a children's center in Yaguajay, finish it. Do not spend 2 or 3 years on it. I hope that one day we will return to making highways that way. They are initiated and completed in 1, 1 and 1/2, or 2 years. If a dam is begun, it should be completed in 1 and 1/2, 2, or 3 years, or it should not be started. We should only initiate the projects that we plan to complete. To fail to do this is crazy, and furthermore, it is degrading.

We have an overpass here and peasants pass by and are confused by it. Those peasants can be easily deceived but would not be if they are smart, because they can see beyond that. However, that overpass, constructed years ago, is a momument to stupidity because it has never been used. Sometimes, when we are on the highway, I see that overpass without approaches and I wonder: Who was the madman who did this? An overpass without approaches.

I have struggled to make the people take advantage of all of the overpasses, to complete the approaches. Unfortunately, no one wants to waste time doing that because when the highway was new, an overpass was made even over the Zaza. We cannot call on the highway construction brigades to do this, because they are also a work force reserve to do the groundwork for important industrial projects. They must work on airports; at present they are working on an airport in Baradero, a tourist in Matanzas where they are working on a highway, with a view to the country's foreign exchange income, which is very important.

Very well, but during this time these brigades built the overpass, continued and built the overpass over the Zaza. Now we cannot tell them to continue onward. We must tell them to come back. They have made one path, now then they must make the second from Santa Clara to here, complete, painted, and pretty. After that they can move backward and complete the highway between Havana and Caraiguan so that one day that highway will be complete. They must do this before continuing onward, because it is not worthwhile to move forward without consolidating what is already there. We must see if one day we can at least have a two-lane road from the highway to Santi Espiritus, because once you leave the big highway you get on this road and the jumping starts because the road is narrow. It is dizzying to travel on these roads. One gets the impression of being on a small, narrow asphalted path; that is how it is. We travelled on that road. I wanted to see the road and suddenly we found ourselves in front of the old central highway, which is as old as Methuselah.

I believe that it has been proven here that it is possible to prepare projects to broaden roads as you all have done. You have a two-way road; all who transit that other road, all who unfortunately must travel that road, when they reach Santi Espiritus at least can still entertain hopes of reaching the capital city alive, when they see that the horizon broadens in this city. It takes a great deal of ability to transit that asphalted threshing machine and still reach your destination alive.

I wonder how many springs have been broken on that road, and how much gasoline, time, and everything else have been lost. Allow me to tell you that I arrived in Santi Espiritus in less than 3 and 1/2 hours, in about 3 hours and 25 minutes, without speeding. I was thinking that the highway must be completed, at least this road which is the most transited. I repeat that hope is found in the midst of misfortune when one reaches Santi Espiritus. The day will come when you will have a two-lane road. We should make six double-lanes to Santi Espiritus.

During the past few days the province has debated national problems at the assembly with the different businesses, and the press has published the discussions, the problems, the difficulties, the errors that have been made. I say that the province is not exempted [of these problems] but its faults are few. That is a part of it. When a business is not going well it needs resources, unfair salaries are paid, many things happen. Therefore, the province has its share of responsibility, of course, but these responsibilities are not the province's fault. This province won fairly the right to host the celebration of the 26 July national ceremonies. The province earned this honor [applause] and some of the things I have seen are true feats, such as this effort to involve as many children as possible in the double session system. Some 320 children who live in remote mountain areas will benefit from this, which seems extremely difficult as the mountain areas are also in the process of developing. I believe that one day 100 percent of the children will benefit from the double session. That is why the fellow patriots in this province deserve admiration, recognition, and congratulations. The mass organizations, the party, the directorate of the party, and on their behalf, campanero Joaquin Bernal. [applause]

The bell is about to ring again. [laughter] Should I have known, I would have spoken a little more about Cienfuegos before discussing other subjects. We must move onto another topic now because I have already taken advantage of your patience and I want to discuss a few other things. [shouts, laughter]

We have progressed. That is clear. We have progressed must but we could have progressed farther and better. We have done many things in these years of revolution, but we could have done more and better things if we had been more capable, if we had been more numerous and better workers. If we had been more numerous and better revolutionaries. [applause]

In recent days we were talking and imparting many lessons about politics, political philosophy, and political history. We have not been able to stress and instill that the first duty of a revolutionary is work. Some have confused the revolution with the abolishment of work, as if man could liberate himself from work.

I have a 40-second delay. It seems that the batteries of the clock have been running down [laughter], 3 seconds, 2 seconds, 4 [music heard]. Good. If people really paid attention to the clock and were punctual in arriving at their jobs, [laughter, applause] if people paid attention to the clock and worked the hours they are supposed to in the morning without losing so much time in so many breaks and so many other things that are more explainable among hard labor workers than among office workers, those lunches that last 10, 15, 20, 35 minutes, 1 hour, if the people were not in such a hurry to leave when the end of the work day is coming, in short, if they worked as they should, how much more could we progress.

The work has become humanized. We no longer have 350,000 workers cutting cane, but instead approximately 80,000, or less. The machines now do the work. The rice is no longer harvested by hand but by combines. The land is no longer plowed with oxen. The machines have come. Carts are no longer used for transportation because there are trucks.

Men no longer break stones to build a road as they did for this central road, this path about which I was talking. It was built by hand, with picks, carts, and all that and not with the bulldozers, loaders, and the steam rollers that we have. We have a number of tremendous and fabulous pieces of equipment. There are 4,000 rubber tire and track-operated tractors in this province. What could all these resources mean if they were well used and if time was well used. We see that wealth will only come from work. It will not fall from the sky. We have had resources. We have not used them in an optimum way. That is why we were saying that we have to reach some goals and establish some principles. One of those principles is that the work day is sacred. It is necessary that we stress this. Everyone thinks things up to do during the work day, carries out errands, meetings, all sorts of things. I think that not a single meeting should be held during the work day. They should be held at the end of the work day. The principle that the work day is sacred must be the standard practice. [applause]

We have discussed this at length. We are involved in that battle. I do not have to go more deeply into this. Recently, the essential content of the meeting of the party's central committee was shown publicly on television. It was a promising and fruitful meeting. We have to firmly resolve to overcome all these negative trends and to undertake a jump in the quality of the revolution. You will see how many more and better things we can do. This is not only a moral necessity but an economic necessity. This process is being carried out in the circumstances of a tremendous economic crisis of the Third World countries in which the conditions of unequal trade have worsened. I will give you an example. A few years ago, some soft ice cream dispensing machines were purchased. As you know, it is a small piece of equipment that produces a frozen cream. All of you know what it is and probably like it, except for those who do not want to gain too much weight and so abstain from eating it. Many factories have that equipment because when we bought it we distributed it. That equipment cost $2,000. There was a little reserve that was used in different work centers. I ask: how much do the soft ice cream dispensing machines equipment cost now? Those soft ice cream dispensing now cost $8,000, four times more. When that equipment was purchased, sugar was at 8, 9, 10 cents. Today, sugar is at 5 cents. In other words, eight times more sugar must be produced to buy a soft ice cream dispensing machines. The same is true regarding the purchase of a truck.

I am talking about the relations with the Western capitalist world. That is not the situation of our relations and our trade with the socialist countries, which as you know is very different. We are not affected by that problem.

We have to import a number of raw materials, important raw materials such as those for the feed industry so as to produce eggs, poultry, meat, etc. We inevitably have to pay for specific expenditures, raw materials, and equipment with foreign exchange. The products that the Third World countries export increasingly cost less and all that they import increasingly costs more.

A bulldozer, -- I talked about soft ice cream dispensing machines -- a bulldozer at that time cost $25,000. Today it costs $80,000, $90,000, $100,000. Anything costs three, four times more. A truck, industrial equipment, a lathe, a factory are all increasingly more expensive. But that is not the case with what the Third World countries export. They cost increasingly less. This is a world tragedy, and not just a Cuban or national tragedy. It partly affects us, but it affects us. And the situation is getting worse. This year, the Third World countries will receive $150 billion less because of the lower prices of their export products. This is not only due to the drop in the price of raw materials, but essentially due to the drop in petroleum prices. I was making estimates, and every day, the industrialized capitalist world, which exploits the Third World so much, is now saving $400 million in petroleum; that would be enough to pay the interest of the foreign debt and, in the long run, the foreign debt. The developed capitalist countries are carrying out an atrocious plunder of the Third World through those mechanisms.

We who were not traditional exporters of petroleum had converted our savings of petroleum -- which you know we had stressed a lot -- into foreign exchange. Due to the price that petroleum had reached, we were receiving more than $400 million. It helped us to face this situation of the low prices of sugar, the ridiculous prices of sugar. Well, with the sharp fall of the petroleum prices, we are losing this year more than $300 million. This creates a serious difficulty for us. The sugar prices have not gone up.

The drought affected us by 1 million tons. Fortunately, Hurricane Kate affected us less. When I visited the sugar fields after the hurricane and when I saw the cane not only bent over but knocked down, twisted, and many stalks broken, I asked myself how this cane was going to be harvested. I wondered what kind of a yield we could expect -- in sugarcane and sugar. I must say that one of the positive things of these times, and one of the most extraordinary efforts put forth by our people in recent times, was seen during this harvest. A potential loss of 1.5 million tons was decreased to less that 250,000 tons, to less than 250,000. [applause] This was done with the hard work of our workers. I must say that when he decides to do something, and when we want to do something, we can achieve great feats. And our workers harvested that crop under those conditions. The last drought helped us some. Had the rainy season started when it usually does in late April, the loss would have probably been some 700,000 tons. However, our people with their efforts, and some help from mother nature, took advantage of that drought.

Despite all the efforts, this still represented 1.25 million tons of sugar that were not exported. This had nothing to do with lower prices, but we had less sugar to export. We did fulfill our commitments with the socialist countries. We are using less sugar in order to export it to the convertible area. The imperialists are trying to create obstacles for us, they try to block our nickel and other exports.

But this is not all. There is something incredible and paradoxical; when the dollar lost its value, the other currencies increased their value, and the imperialists, in an attempt to decrease their trade deficit, pressured their allies to revalue their currencies, their Japanese, German, Western allies in general.

When we speak of the price of sugar we speak of 5 cents of every dollar, and you can get up to $100 per ton of sugar. But since we do not import from the United States but from other Western countries, if their currency goes up we are affected. If in the past we needed $1 to purchase a Japanese-made product, today we would need $1.50. In other words, with the loss in value of the dollar and an increase in the value of the other currencies, if we were to purchase from the United States we would be paying less, but since we purchase from other Western countries whose currencies were revalued, we have lost approximately $150 million.

If you add here and there, you find that the country has approximately $600 million less. We knew we were headed for a dry season. However, the loss in value of the dollar and the terrible drop in the price of oil -- we were receiving more than 400 million [unit not specified] -- has caused serious damage to our financial situation and has placed us in a truly tense situation because our country had been accustomed to paying off all its debts. It is from this economic viewpoint that we are waging this battle. We would find ourselves waging this battle even if the price of sugar were to go up to $1. It is one of the most difficult situations we have confronted. This also coincides with a tense international situation.

There is a tense international situation. The country has had to live these years in a permanent state of alert, paying close attention to our defense, investing vast resources in defense. Because, fortunately, much of the revolutionary and patriotic spirit of the country that was not evident in the activities that we have mentioned -- in material production -- was evident in this area of defense, working, building fortifications, training, devoting unending hours to that task. We have had to live through very tense years, and we cannot neglect this front. We are nothing if we neglect that front and we weaken ourselves. That would encourage imperialism, that imperialism which looks at our country with respect and knows why it has to look at us with respect. [applause]

It is a tense and complicated international situation. The USSR and the socialist countries have made great efforts seeking an international detente, trying to prevent a catastrophic arms race that would increase and multiply the threat of war. Those efforts by the USSR and by the socialist countries have crashed against the reactionary and obsessive spirit of the current U.S. Administration, of the pressures ...[corrects himself] against the pressures of military industrial complex, hoping for an arms race that will provide it with high profits. The socialist countries and the progressive forces insist, and should continue insisting, on the struggle for peace. They will continue insisting, using the full weight of international public opinion against those who are responsible for this threat, this arms race, this enormous waste of human and economic resources in weapons.

We have seen how this warmongering, fascist spirit of the current U.S. Administration is expressed in the brutal and cowardly aggression against Grenada. We have seen it in the dirty war that it has been waged for more than 5 years against the heroic people of Nicaragua. [applause] We have seen it in the dirty war that imperialism is waging in alliance with South Africa against the brother people of Angola. [applause] We have seen how Reagan meets with the Somozist counterrevolutionary chieftains who are directing the treacherous counterrevolution in that country. We have seen how he meets brazenly with such individuals as Savimbi, whose criminal bands have murdered tens of thousands of men, women, and children in Angola. His bands sometimes wipe out entire villages, without respecting age or sex.

Those are Reagan's friends. That is the type of people Reagan likes to meet. We have seen his alliance with South Africa. We have heard his last speech where he completely removed his mask, that is, if he still had any portion of a mask left on him, in order to defend South Africa, [applause] that racist and fascist regime of South Africa, in order to oppose the enforcement of sanctions. That same administration is intensifying its criminal economic blockade against Cuba, is waging economic aggression, an economic blockade against Nicaragua. However, that administration takes pleasure in lifting the shield in order to protect South Africa from the economic measures, from the economic sanctions that the international community and the U.S. allies themselves are demanding. In that speech, Reagan went as far as saying that Mr Botha -- the Hitler of South Africa, the fascist-racist Nazi that rules that country -- had no obligations to talk with the ANC [African National Congress], because this was a group of terrorists, and -- he added -- communists. Reagan is describing as terrorists the African patriots, the patriots of South Africa, the black patriots of South Africa who have been confronting the fascist regime in a heroic manner and without any weapons. He calls them terrorists, and instead he describes as patriots the UNITA [National Union for the Total Independence of Angola] bandits who murder and massacre entire villages. He describes as patriots and freedom fighters the Somozists, the criminal mercenaries and counterrevolutionaries in Nicaragua, who have been armed, trained, and directed by the CIA, and who have also murdered thousands of men, women and children in that country and who have tried to destroy its economy.

Those bands [corrects himself] those mercenaries are champions of liberty and patriots for Reagan. That is the empire's logic, and in his demagogic and politicking speech -- recently delivered in Miami and no doubt he was referring to his hopes -- he said that liberty was on the offensive. The U.S. imperialism's treacherous and criminal actions are described by Reagan as a liberty offensive. Such aggressions and insults represent, in fact, an offense to liberty.

However, that is how the reactionaries and imperialists have acted everywhere; that specially is how the fascists have acted. The Nazis used similar arguments when they took over Austria, when they took over part of Czechoslovakia and then all Czechoslovakia, and when they attacked Poland, when they began their wars.

The empire's acts are described as a liberty offensive. In fact, the ones who are on the offensive, and have been on the offensive for some time, since the glorious days of the October 1917 revolution, have been the people [applause] the people who started the era which marked the emergence of socialism -- which keeps Mr Reagan awake so much at night. The ones who have been on the offensive have been the people, who were capable of annihilating fascism, even though they had to pay a high price; who were capable of annihilating colonialism and launching the independence of dozens and dozens of countries -- almost 100 countries -- during the least 40 years.

The ones who have been on the offensive have been the people in Europe and Asia, who were capable of carrying out the socialist revolution; the people who, like the Vietnamese, were capable of defeating Yankee imperialism, the people who, like Cuba, have heroically and gloriously resisted 27 years of imperialist hostility! [standing ovation] The people of Angola, Mozambique, and Ethiopia, who were capable of shaking off the yoke of colonialism and feudalism, the people of Nicaragua, who were capable of shaking off the tyranny [fumbles for words] the 50-year-old tyranny that was installed there by the U.S. imperialism and now defend themselves heroically, courageously, and successfully against the dirty war which is being waged by the empire! [applause] The people of El Salvador, who are an example without precedent in courage, capacity for struggle, and who have been capable of resisting all the imperialist maneuvers, and all the repressive actions of a genocidal government supported by U.S. imperialism.

The ones who are on the offensive are the people, everywhere; in Latin America they cast aside the yoke of tyranny imposed by Yankee imperialism. The ones who have been on the offensive are the Uruguayan, Argentine, and Brazilian people; the heroic Chilean people who, with their courageous and assertive actions [applause] have led Pinochet's fascist and proimperialist tyranny to a crisis. The people of South Africa [applause] the people of South Africa [repeats himself] who are practically unarmed and have provoked a crisis for the racist regime of apartheid by shedding a river of blood.

The reactionaries are the ones who are really facing a crisis; U.S. imperialism is the one facing a crisis. The people are on the offensive, and the idea that the crimes perpetrated by U.S. imperialism in its desperation are liberty offensives can only be the product of a sleepless mind which has lost all sense of reality concerning the world in which we live. [applause] U.S. imperialism attacks, aggresses; that is what it has always done, furious in its impotence, because it cannot stop the struggle waged by these people -- the ones we mentioned and many others.

We are an example of this truth. The commemoration of this anniversary in this province -- which has achieved considerable progress in a relatively short period of time -- this proves that those days have been left behind -- those days when the empire issued the orders and established the norms.

U.S. imperialism tries, in its desperation, to use its troops to exert internal roles in Latin America, as recently happened in Bolivia, where imperialism sent its helicopters and troops to take over internal matters, preparing for an intervention, under the pretext of a struggle against drug trafficking. The failures in the struggle against drug trafficking represent U.S. society's failure. It has no virtues, it cannot prevent corruption. There is another thing that we can tell Mr Reagan: Cuba has no drug problem; Cuba has no need to send soldiers as policemen to any place in the world to fight cocaine or marijuana or whatever -- because drugs are not imported in Cuba drugs are noted used in Cuba! [applause]

U.S. society is incapable of curbing the growing use of drugs, and this is why it wants to send soldiers to fight drug trafficking. Using this kind of reasoning, one day it will try to use nuclear weapons to fight marijuana and cocaine in the world. But the truth of the matter is that it is in the United States itself where they must put an end to the use of marijuana and cocaine. Then the drug problem in the world will have been resolved. [applause]

It was in this era and under these circumstances that our revolution and our process developed confronting these objective difficulties of an economic nature, as I explained earlier, of an international nature, as I have tried to explain in the past few minutes. These are difficult times but, when were times not difficult for the revolutionaries? There were, and always will be, difficult times for revolutionaries.

We faced difficult times 33 years ago, very difficult times. But no times have been too difficult for a true revolutionary to overcome. [applause] Also, we have always been willing to sacrifice rather than turn our backs on the banners of the revolutionary. We nave upheld these banners against the empire for many years; we have prepared to curb the empire, and not only curb it, but defeat it should it attack us. We can overcome all difficult times or difficulties.

We are here in this province today. It is precisely in this province where one can breathe the air of struggle, the air of history, the air of legend. Since ancient times, since the times of the uprising of the slaves, since the times the early patriots began their work, since the independence war -- the first war of independence also touched this area -- this region backed men like [Carlos Manuel de] Cespedes and [Ignacio] Agramonte and it was one of the first regions to join the struggle of independence.

Illustrious men have been born in this region. Men like (Adonato Castillo), Serafin Sanchez, (Ramon Leocadio Bonacheda), and others; illustrious women who wrote glorious pages in our history. These were lands that witnessed Maximo Gomez' feats and his brilliant campaigns in 1868 and 1895, lands that witnessed the feats of the invading column and Antonio Maceo. In all the times, in the times of the colony, the struggle of the colony, and in the times of the Republic, this province was outstanding in its struggle against the injustices of the vassal republic, of the Yankee neocolony, in the struggle of its courageous workers and peasants. It was through this province that, during our last struggle -- our last and final struggle -- the glorious forces led by Che and Camilo came in [applause] and found solidary support, backing, and a large group of combatants willing to join the forces of the rebel army.

There was fighting going on in this province while we fought in Oriente. When the revolution triumphed, this province supported the revolution with ardor and confronted the counterrevolutionary and mercenary bands that imperialism organized in Escambray. The spirit of patriotism of the people of Sancti Spiritu shone in that struggle; in that struggle that cost many lives, sweat, and human resources; in that struggle that used much of the time that we needed for development. But today this same province is an example of the spirit of development, progress, and peace. The bandits learned their lesson a long time ago. They found out that those mountains, zealously guarded by the patriotism of the people of Sancti Spiritu, Cienfuegos, and Villa Clara, not even an ant can attempt to fight. They learned that lesson a long time ago, [applause] more merit for this province that invested strength and blood during the early years to repair the damage caused by that war. Here the people can speak of patriotism, firmness, heroism, courage; all risks and dangers can be challenged here. Here the people can speak of their difficulties just as the rest of our people in this country do. They can speak without fear of these difficulties. Here, we can find mothers, ascendants, descendants, brothers, family, and companeros, of the combatants who died during the attack on the Moncada. [applause] They are outstanding witnesses of how, throughout these 36 years, we have kept ourselves loyal to the principles and goals of the revolution; they have been outstanding witnesses of how our people confronted all obstacles, difficulties, and risks. It was a long time ago, but they were hard, very hard and very difficult days, when we were nothing more than a handful of combatants who embraced ideas we considered to be just and which history has proven were just.

Today we are no longer a handful of combatants, we are no longer a few dozen combatants. In this plaza alone we can count 100,000 combatants. [applause] Throughout the country we can count millions who with patriotic ardor and revolutionary fervor continue to embrace these ideas; ideas that until today have been victorious, ideas that will be victorious forever. These just ideas have demonstrated their strength and capacity to confront the most powerful empire this would has ever had; an empire located 90 miles off our coast, only inches from us in Guantanamo, and we did this with the faith of the most difficult ways, with the faith and security that victory has given us. Today we tell the imperialism and our enemies that our people will be able to surpass any obstacle, any difficulty, our people will be able to march forward and nothing will stop us. Our people will be able to surpass our own weaknesses, [applause] will be able to overcome our own defects, our people will be able to surpass our own mistakes. A people who are capable of overcoming their own defects, their own mistakes, a people who fear nothing, a people who do not yield to anything, are, and will always be, an invincible people. Fatherland or death, we will win. [applause]

D'ESCOTO SEES U.S. POLICIES AS GUNBOAT DIPLOMACY

PA292019 Havana International Service in Spanish 0000 GMT 26 Jul 86

[Interview with Nicaraguan Foreign Minister Miguel D'Escoto by Orlando Matos in Managua; date not given -- recorded]

[Text] [Matos] Mr Foreign Minister, recently the United States seems determined to change its international foreign policy of peaceful coexistence and respect for internatinal law to one of forceful impositions, which is a return to gunboat policy. I would like you to address this issue.

[D'Escoto] In reality, what you have said is very true. Under the present administration we are seeing -- for the first time, I would say, since World War II -- not only a disregard for the rules of coexistence established by law, because that has always been the case, but an effort to destroy put international law aside and impose the law of the strongest. This was quite clear during the invasion of Grenada. The fact the invasion took place was not new. I was not surprised because we have been invaded and occupied many times by U.S. forces. The United States is the quintessence of interventionism. That is the situation.

We have heard U.S. Secretary of State Shultz say -- and he has said this so many times -- that there is no effective diplomacy which does not contain the use of force as an essential element. Imagine that. He said this force, at the service of diplomats to increase their powers of persuasion, can include armed force. Imagine that, gunboat diplomacy as you said earlier, which the U.S. is justifying. Shultz says that only through the ability to use force in limited wars as a means of persuasion can diplomacy be effectively implemented. Well then, what about us? We cannot use it and we do not want to because we have principles. However, we are not able to. That means that the only diplomats who can use force are the Americans, who have the weapons and are willing to use them to impose their will, the will of the United States.

ORTEGA SENDS REGARDS TO MARK MONCADA ANNIVERSARY

PA290013 Havana International Service in Spanish 1800 GMT 26 Jul 86

[Text] Nicaraguan President Daniel Ortega has sent a message to Fidel Castro to mark the 33d anniversary of the attack on the Moncada Barracks and National Revolt Day. The message states: Moncada was the revived bugle call of Bolivar, Marti, and Sandino that, with Fidel, ratifies the will for struggle of the Latin American and Caribbean peoples.

AID TO SANDANISTS INCREASED IN RESPONSE TO U.S.

FL1291336 Bonaire Trans World Radio in English 1130 GMT 29 Jul 86

[Text] A Cuban foreign minister says his country has stepped up aid to the Sandinist government in Nicaragua. He says the aid is to counter the $100 million in aid given to the contras by the United States.

CASTRO, ROMANIA'S CEAUSESCU DISCUSS COOPERATION

AU291638 Bucharest AGERPRES in English 1540 GMT 29 Jul 86

[Text] Bucharest, AGERPRES 29/7/1986 -- The first secretary of the Central Committee of Cuba's Communist Party, Fidel Castro Ruz, president of the Council of State and of the Council of Ministers, received Ion Ceausescu, first vice-chairman of Romanias State Planning Committee and minister secretary of state, on an official visit in Havana.

He conveyed the Cuban leader a comradely salute from the general secretary of the Romanian Communist Party and president of Romania, Nicolae Ceausescu, alongside wishes of health and prosperity to the friendly Cuban people.

Fidel Castro Ruz thanked and asked that his best wishes of health be given to President Nicolae Ceausescu, as well as wishes of prosperity and further successes in socialist construction to the Romanian people.

The continuing development of the bonds of friendship, cooperation and collaboration between Romania and Cuba was discussed during the meeting.

BAHAMAS

MARGARET MCDONALD NEW AMBASSADOR TO OAS

FL292002 Bridgetown CANA in English 1942 GMT 29 Jul 86

[Text] Washington, July 29, CANA -- Retired civil servant Margaret McDonald today presented her credentials as Bahama's Ambassador to the Organization of American States (OAS).

She presented here letters of accreditation to OAS Secretary General Joao Clemente Baena Soares and chairman of the OAS permanent council, Ambassador Pierre Sam of Haiti.

Speaking afterwards, McDonald, a former cabinet secretary, singled out the traffic and abuse of drugs among the pressing challenges confronting the inter-American community.

She urged the OAS to take vigorous steps in the areas of cooperation for development, capital investment, development of exports, human rights, and the promotion of democracy.

JAMAICA

DISRUPTION MARS MUNICIPAL ELECTIONS

FL300104 Bridgetown CANA in English 0008 GMT 30 Jul 86

[Text] Kingston, Jamaica, July 29, CANA -- Amid reports of chaos in municipal elections here today, leader of the opposition People's National Party (PNP) Michael Manley tonight accused his opponents in the ruling Jamaica Labour Party (JLP) of malevolent intention to undermine the new electoral system that aims at rooting out fraud.

There is very clear evidence that the idea of a free and fair election that is free from fear has already collapsed, Manley told reporters.

Whether the wishes of the people will survive remains to be seen, he added, pointing to what he said was absolutely massive intimidation of voters and electoral officers in six constituencies in the urban Kingston/St Andrews region.

Radio and eyewitness reports spoke of incidences where ballots were reportedly snatched and scrutineers and officials chased out of stations.

Manley said he personally saw JLP supporters intimidating electoral officials during visit to polling stations.

Opinion polls predicted a win for Manley's PNP, which is viewing the poll as a referendum on the performance of the JLP government, led by Prime Minister Edward Seaga.

BOUTERSE ON POLITICAL SCENE, REVOLUTION'S GOALS

PA282012 Madrid EFE in Spanish 0450 GMT 27 Jul 86

[By Marcel Roo]

[Text] Paramaribo, 26 Jul (EFE) -- Suriname leader Desi Bouterse wants to end the racial and ethnic conflicts in his country and give the former Dutch colony a structure of a nation.

During an interview with EFE at the Government Palace, Bouterse said that Suriname was divided by racial, religious, and ethnic criteria before the 1980 revolution that placed him in power. "We were living on a volcano and an explosion, a struggle between the racial forces, was threatening to cause untold damage to the country. Situations such as the one in Beirut and Sri Lanka could have happened here," he noted.

Johan Ferrier, the first president of the former Dutch colony after its independence, was deposed by the revolution in 1980. He was replaced by Chen A. Sen, while Bouterse became chief of the National Military Council. Sen resigned in 1982; Colonel Bouterse, who foiled a military uprising on that occasion, became Suriname's strongman.

Suriname is ethnically heterogeneous. Hindus, Indonesians, and blacks make up the leading ethnic groups and are the ones active in the political arena. According to Bouterse, one of the basic goals of the revolution is to establish a united nation by holding together all racial groups. Based on this principle, the revolutionary commander managed to incorporate into the government all of the parties that had been engaged in nonlegal opposition activities, momentarily eliminating a dissidence that responded more to religious than to ideological criteria. "The basic condition to reach understanding was that all parties agree that we are a country and not a number of ethnic groups dependent on others," he explained. In addition, he stressed that the traditional leaders must agree that there is a need to achieve true economic independence. Bouterse declined to make a direct statement about the possibility of calling free and honest elections. "We are talking about a new democratic model that includes elections. But these things must be established in the new constitution, which the people must accept or reject in a referendum within 9 months."

Suriname, a country with barely 350,000 inhabitants distributed over 163,000 km, is faced with an economic crisis evidenced by the scarcity of staples in shops.

Bouterse expressed optimism over the future, however, remarking that the most important achievement of the process has been the reduction of the unemployment rate to less than 20 percent.

Regarding the Netherlands' decision to cut economic aid to Suriname following Bouterse's assumption of power, he said his country had adopted a democratic system similar to the Netherlands that did not work." [quotation marks as received]

According to Bouterse, his model of democracy is based on the people's participation in the drafting of their own development plans, and announced that he has talked with the political parties to open the way to the creation of a coalition government. He admitted, however, that certain leaders did not participate in this dialogue, such as former President Sen, who is now pursuing opposition activities in the Netherlands, and Emile Wijntuin, who was an adviser to the colonel who later fled to Curacao.

Bouterse stressed that he cannot respect those who left the country and, "based on their fantasies, develop negative concepts in order to try to convince other foreign nations that the military and the revolutionary processes have to be eliminated."

Finally, Bonterse said that he would have no problem accepting a civilian government, providing its goal is to work for the country, "although I do not believe there will be a government opposed to the revolutionary objectives," he stressed.

NETHERLANDS PAPER INTERVIEWS RADHAKISHUN

PM291422 Rotterdam NRC HANDELSBLAD in Dutch 16 Jul 86 pp 1, 5

[Unnamed "own correspondent" report: "Surinamese Prime Minister Wants Talks With Lubbers"]

[Text] Rotterdam, 16 Jul -- A meeting with Prime Minister Lubbers and friendly relations with the Netherlands are high on the list of priorities of the new Surinamese prime minister, 50-year-old Pertab Radhakishun. However, for the time being there will not be a general election, according to last night's interview with Vara Radio.

Regarding a possible meeting with Prime Minister Lubbers, whom he described as a very important figure, Radhakishun said it does not matter who initiates the talks. "What is important is to talk," the new prime minister said.

Radhakishun said nothing about a possible resumption of Netherlands development aid to Suriname. Despite the statement from new Development Cooperation Minister Bukman that the Netherlands Government's attitude to Suriname will change only if the country holds elections, Radhakishun will strive for better relations with the Netherlands in the form of a "friendship plan." The prime minister appeared optimistic about the possibility of implementing such a plan.

The new government under Radhakishun will remain in office until 31 March 1987, when the transitional phase which began with the appointment of the Udenhout cabinet in 1985 will end. There will be no elections before April. According to Prime Minister Radhakishun, further work must be done on the new constitution before elections are held. "The outlines of the construction are already in existence and in the next 8 and 1/2 months we must see to it that a definitive foundation is created."

The Radhakishun Cabinet sees remedying the current economic situation and combatting corruption as important tasks. In the past, ministers and other high-ranking officials in Suriname are said to have been guilty, chiefly of violating currency regulations.

The new prime minister thinks that the new economic program has a good chance of succeeding. "The new government has a broad political foundation and as a result there is a better chance of implementing our plans than there would be if this foundation did not exist," Radhakishun said.